

Transforming Government @ DOTAX

**Presentation to Senate
Committee on Ways and Means**

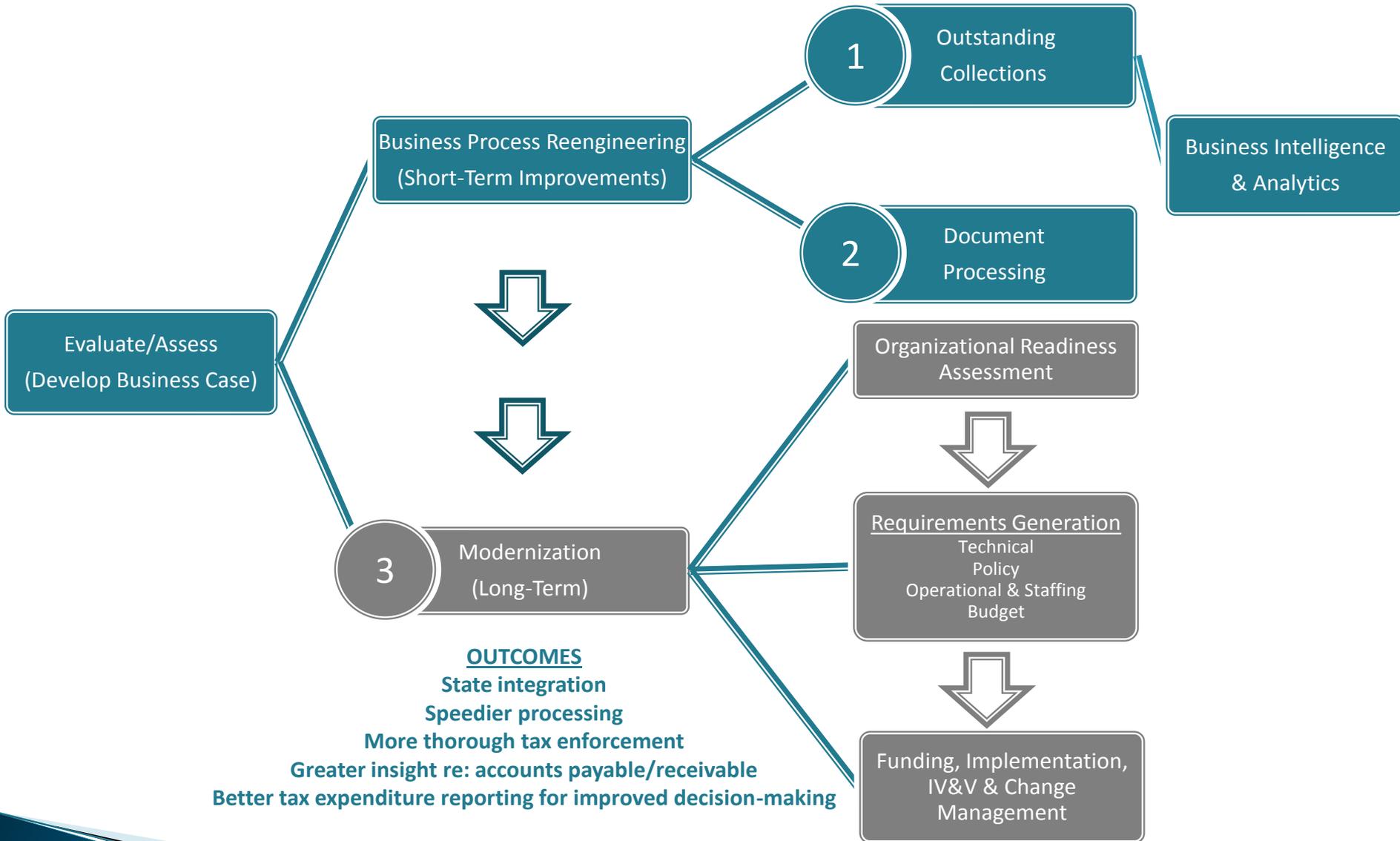
**Department of Taxation/
Office of Information Management & Technology**

**March 22, 2012
9:30 a.m.**

Champions of Change



DOTAX Strategic Plan

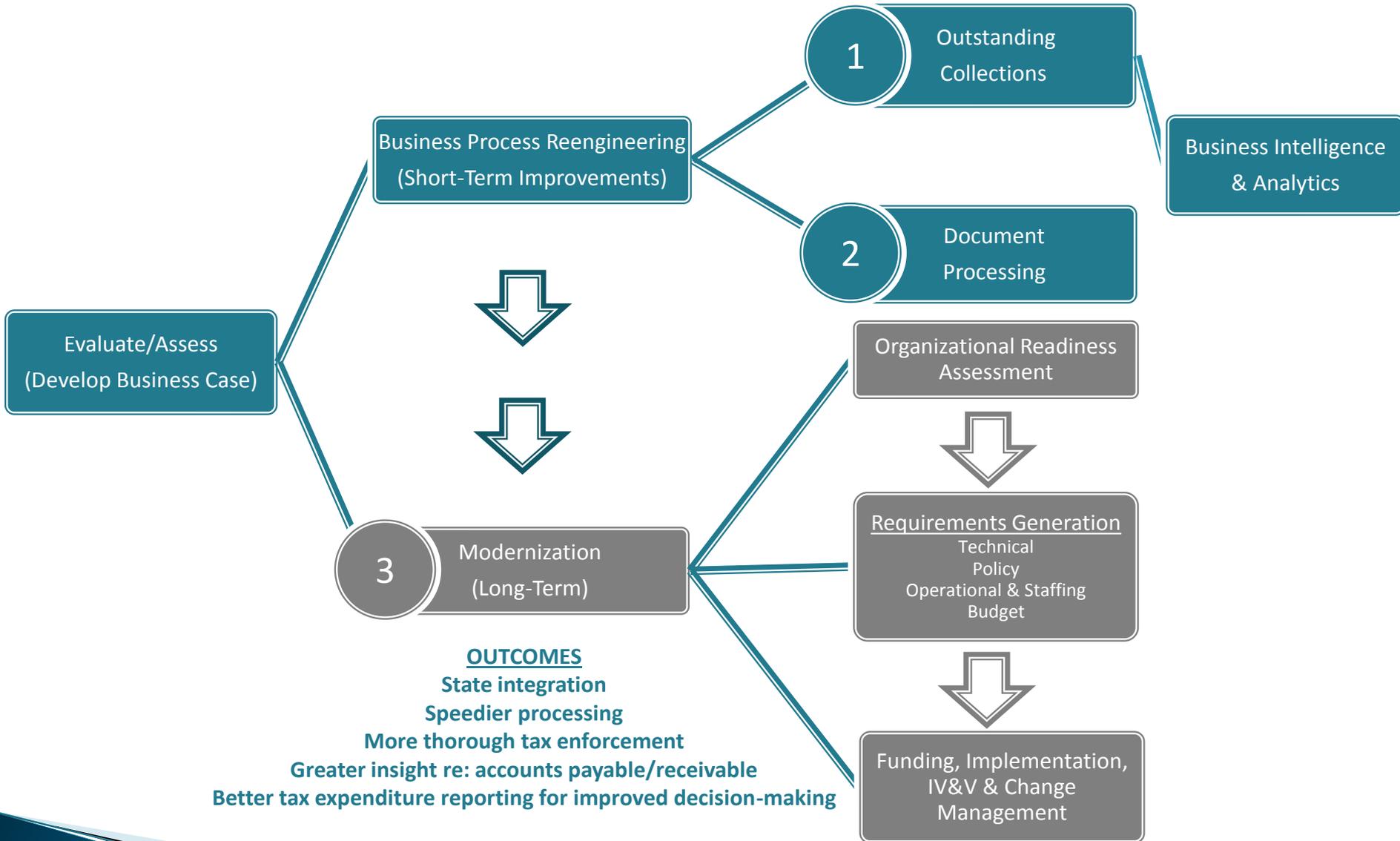


Key elements of transformation

- ▶ Staying focused on agency mission
- ▶ Assessing and implementing critical departmental improvements
- ▶ Applying a team-oriented approach
- ▶ Collaborating across state agencies (DAGS/OIMT/B&F)



DOTAX Strategic Plan



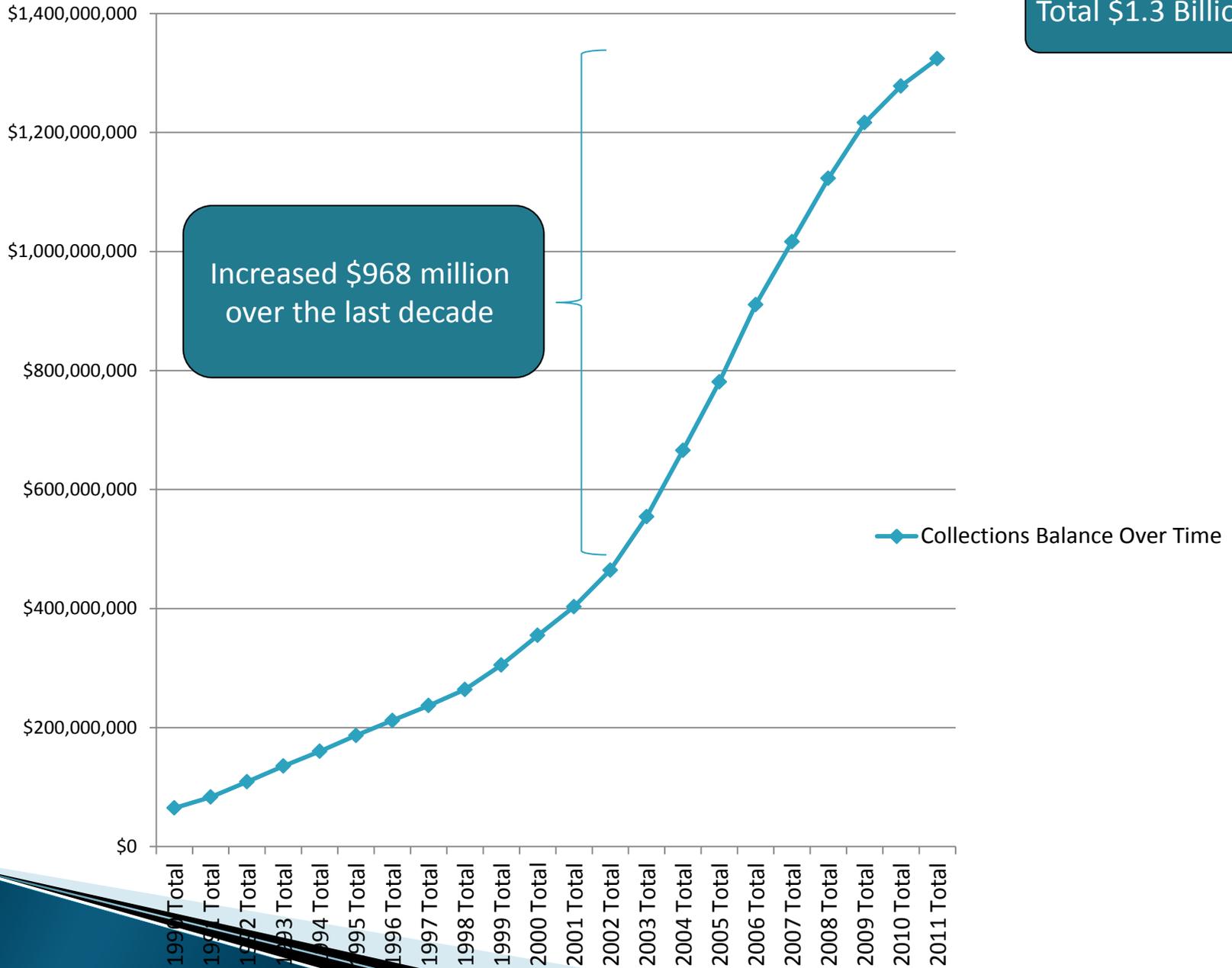
collections



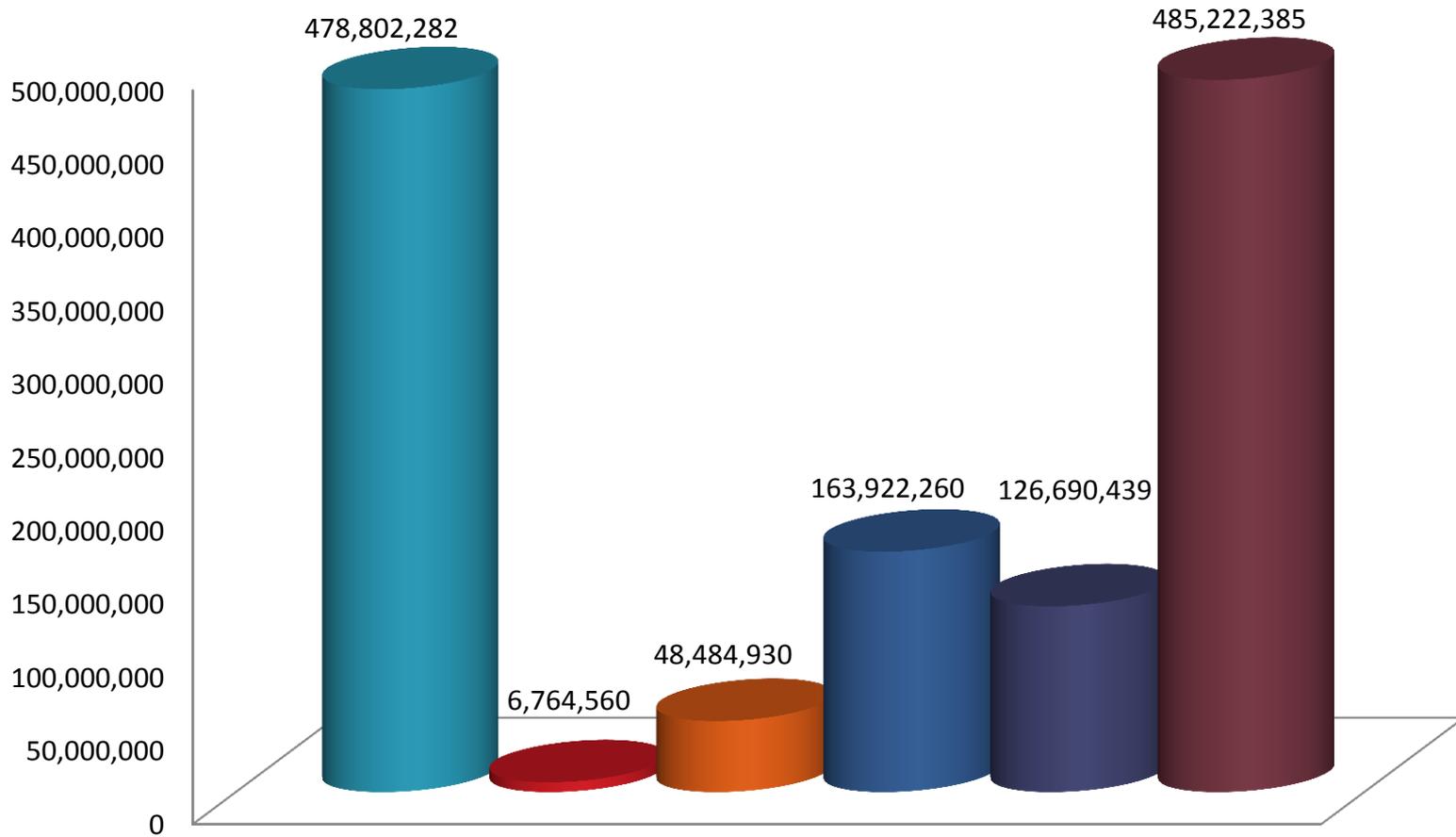
Ineffective management of accounts led to an overwhelming backlog of receivables that will take years to fix

The Problem

Total \$1.3 Billion



Estimated breakdown of accounts receivable



Breakdown of \$1.3 Billion Accounts Receivable

- Suspended (in Audit/Litigation)
- Accounts Pending Resolution
- Accounts in Billing Cycle
- Bankruptcy
- Pending Write-Off
- Collection



Key Improvements - Planned or Underway

- ▶ Training, Training, Training
- ▶ Partnering with other government agencies to match and update data
- ▶ Additional staffing
- ▶ Outsourcing older and out-of-state cases
- ▶ Collaborating with the CIO & Business Transformation Executive re:
 - Computer analytics for prioritizing caseload
 - Business Process Re-Engineering
 - Technology modernization



The Collection Process for Delinquent Taxes

- » *With delinquent taxes, the collection staff deal with taxpayers who are unable to pay, who do not want to pay or who find ways to circumvent paying their delinquent debts that are owed to the State.*



The Delinquent Tax Balance

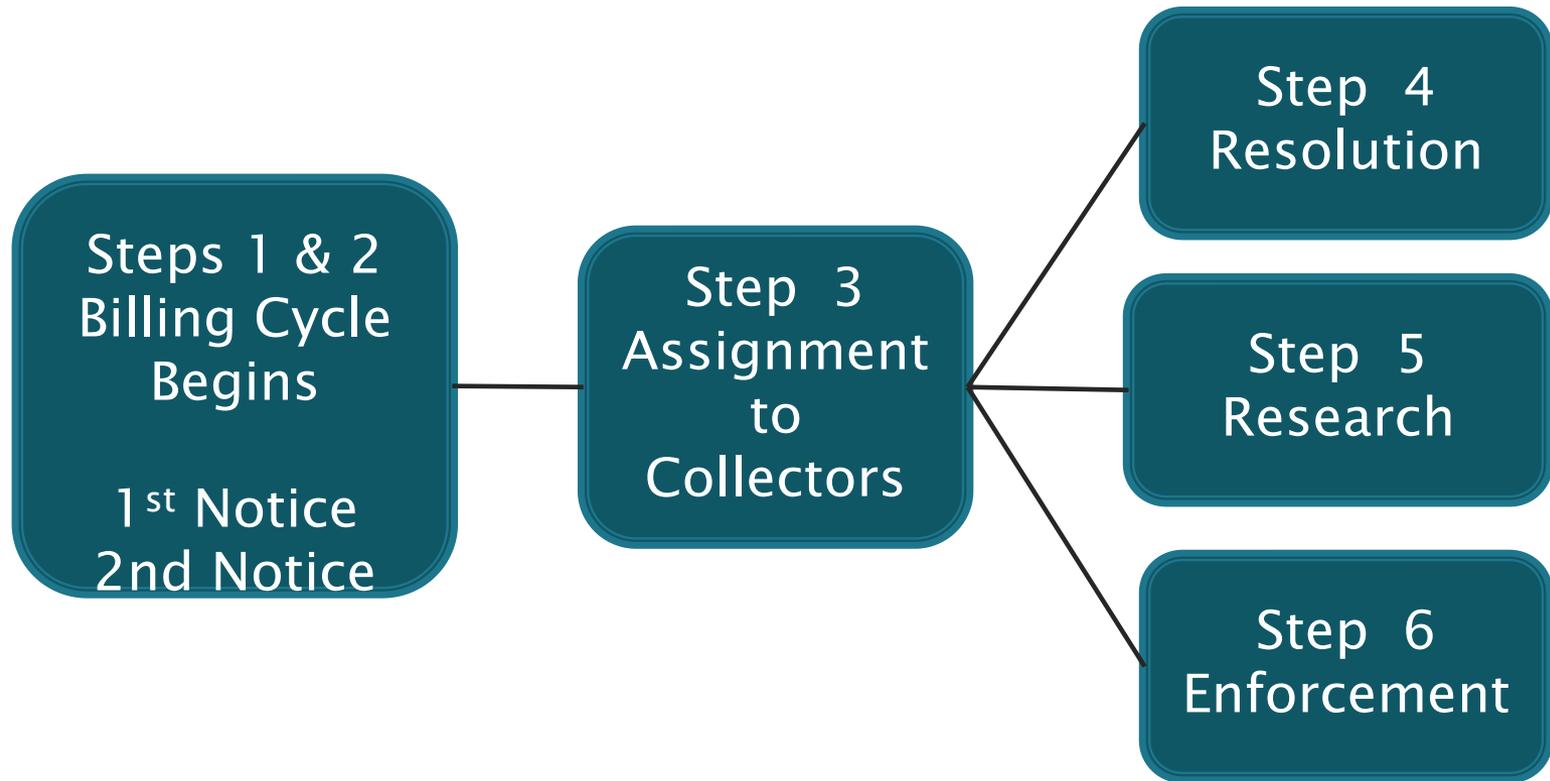
- The delinquent tax balance has grown over the past years

The reasons:

- Increase in audits
- Non-filer projects and automated assessments
- Economic downturn – taxpayers unable to pay
- Increased bankruptcies
- Budget cuts and reduction in staffing
- Staffing does not match growing workload



The Collection Process Flow



Step 3– Assignment of Cases

- Reduction in force, frozen vacancies, furloughs reduced the available staff hours to work cases. This fiscal year, began recruiting and hiring to fill vacant positions.
- Changed the assignment of cases to Junior and Senior collectors. For Juniors, work assignments will go into a pool that is continually accessed as soon as Junior completes case.
- This fiscal year, began upgrading computer hardware for faster processing and reducing turnaround time.
- Upgrade telephone system to allow collectors to pick up live calls
- Review staffing needs to further enhance collections



Step 4 – Resolution of Delinquent Cases

- Consider waivers of penalties and interest to resolve cases where delinquency arose from financial difficulties during the declining economy
- Participate in federal refund offset program to reduce federal tax refunds by the outstanding Hawaii tax delinquency
- Develop procedures for extending installment payment plans from 3 - 6 months to 3 - 5 years.
- Develop financial tools to determine reasonable amount for taxpayer's installment plans
- Transfer the approval for offers-in-compromise to senior collectors. Provide training.
- Establish on-line filing of bankruptcy claims to the Bankruptcy Court



Step 5 – Research

- Partner with other departments for identifying decedents, liquidated companies, out of State residents
- Review possible sources for obtaining credit reports to determine ability to pay and to identify assets



Step 6 – Enforcement

- Partner with other departments to obtain employment information for garnishment of wages
- Identify third party sources that may be levied
- Explore filing liens on-line with the Bureau of Conveyance

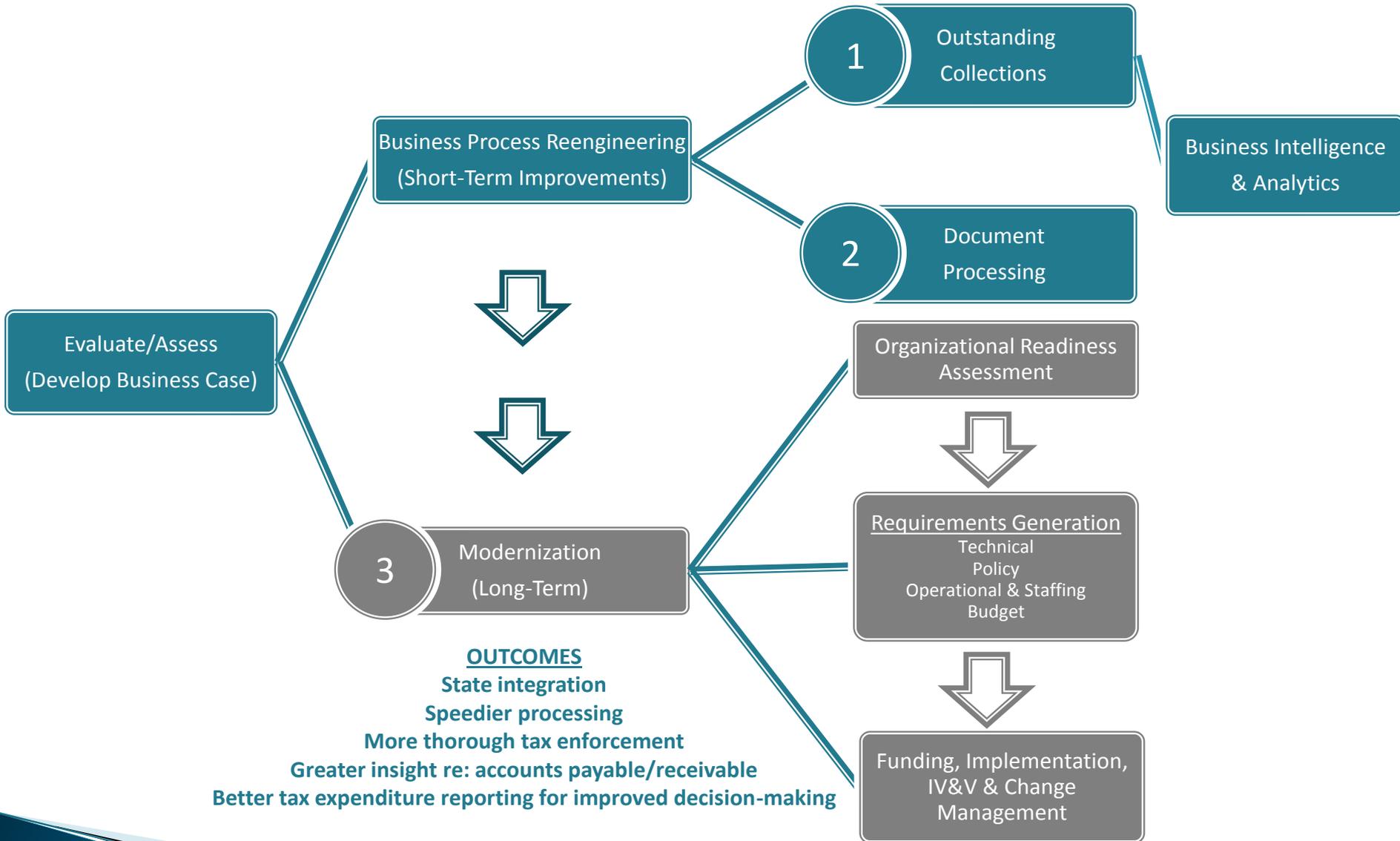


Step 6 – Enforcement (cont.)

- Set up procedures to assess the responsible party for personal assessments of general excise tax and withholding tax
- Develop process for meeting legal requirements for the seizure of property.
- Jointly work with the Dept of Commerce and Consumer Affairs in arranging tax clearance procedures and revocation of professional licenses of those who have delinquent tax accounts.



DOTAX Strategic Plan





Document processing



“The existing culture of hierarchical management approaches will need to yield to one of partnerships among managers; process-oriented ways of doing business will need to yield to results-oriented ones, and organization ‘silos’ will need to become integrated.”

Hawaii State Auditor, December 2010



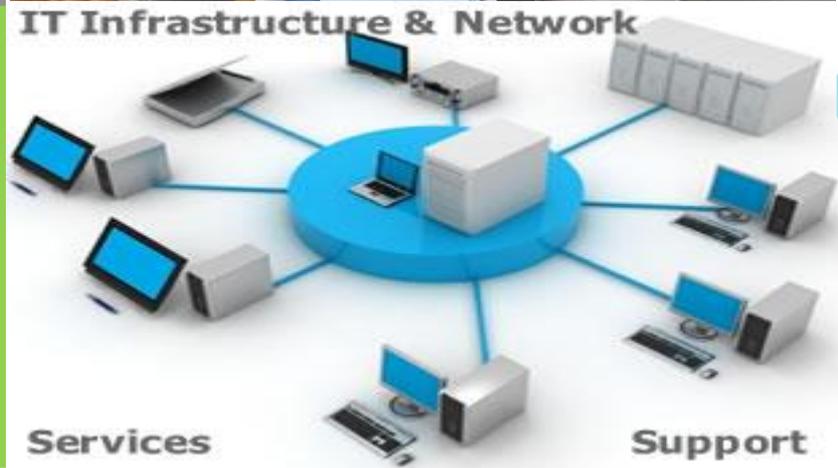
Document Processing At-A-Glance

STATE REVENUE

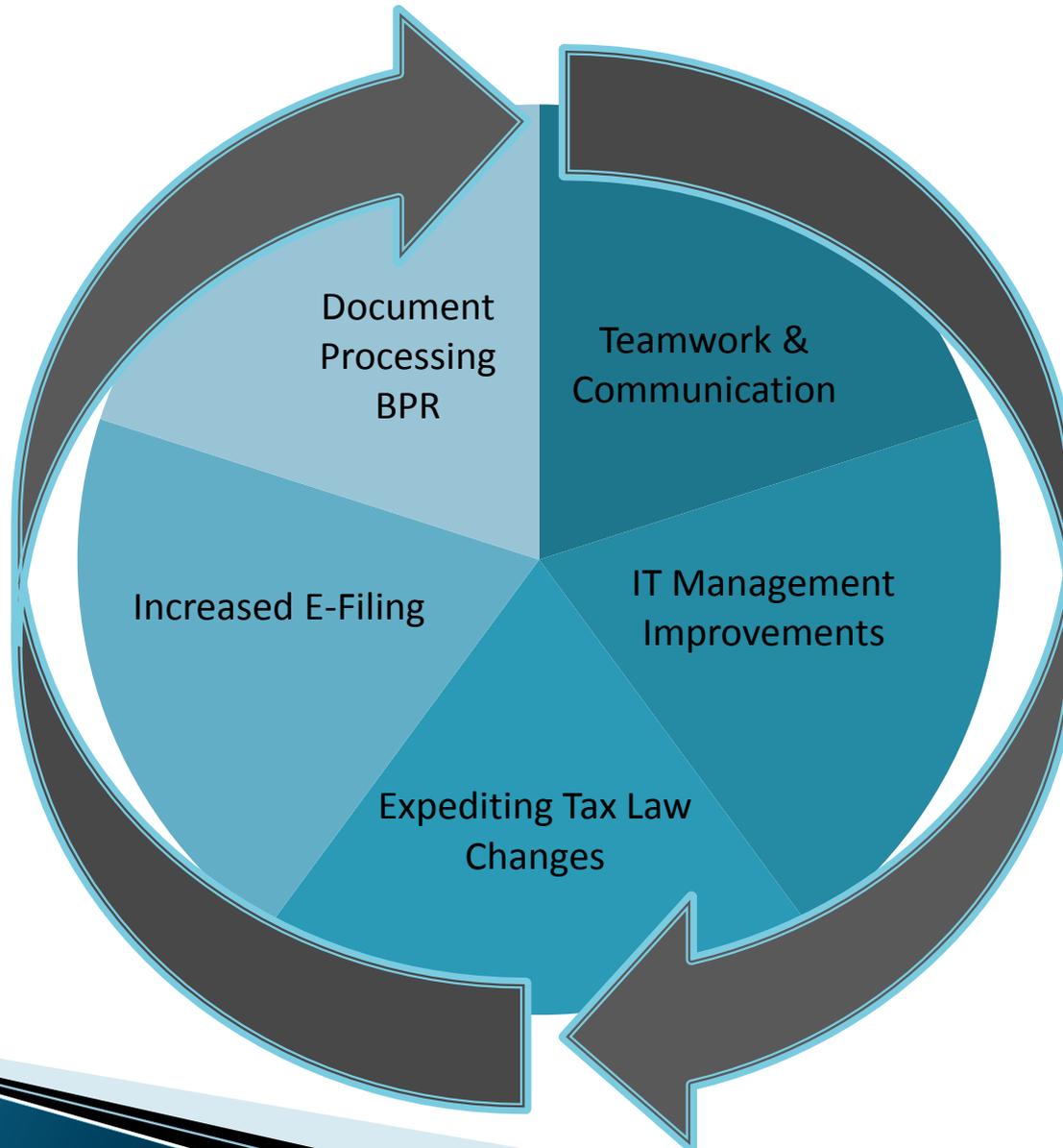
Document Processing
Operations

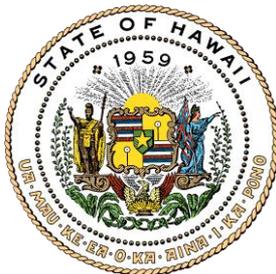


Technical Infrastructure
&
IT Support



Document Processing Improvements Planned or Underway



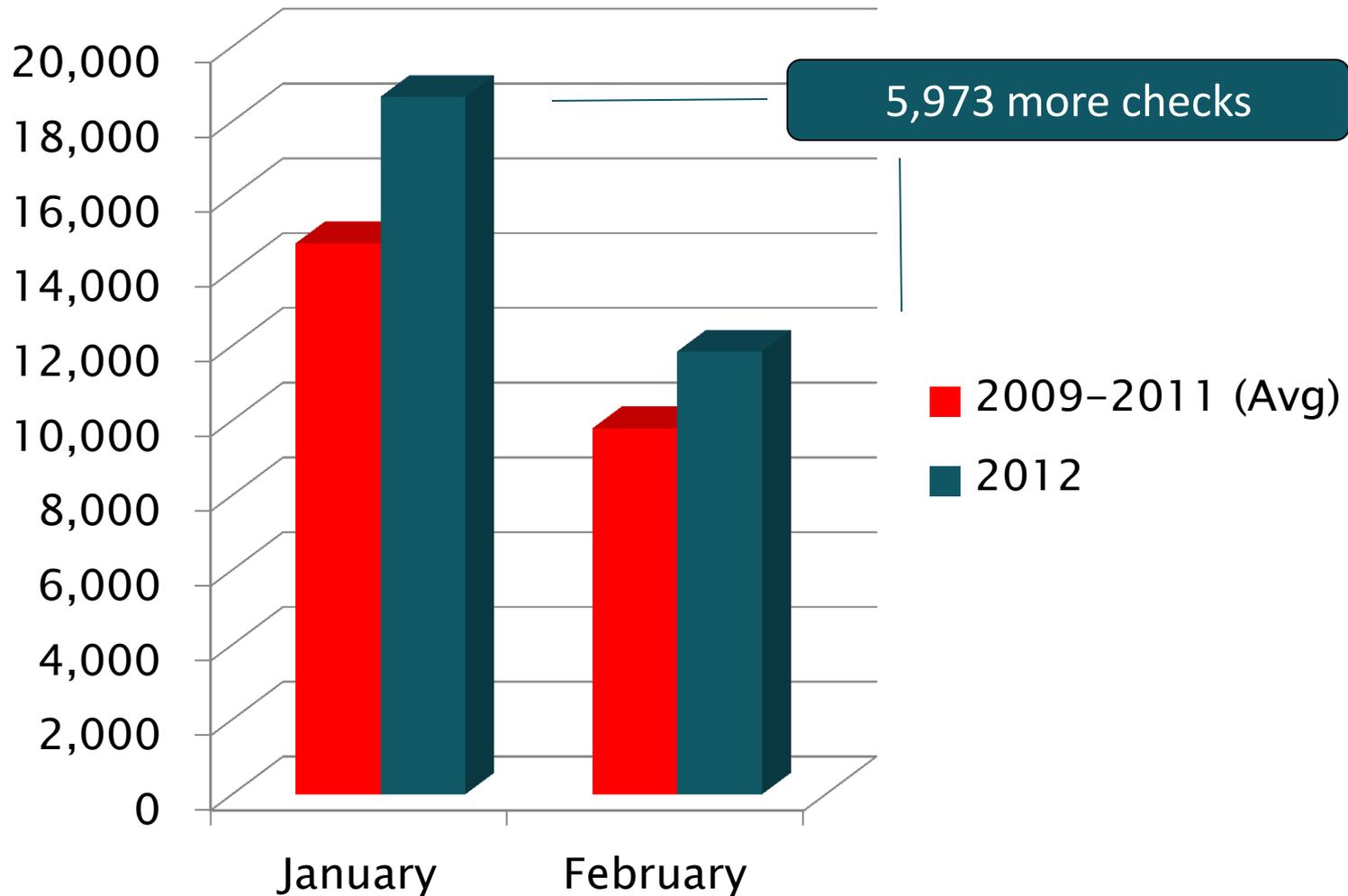


January & February Statistics

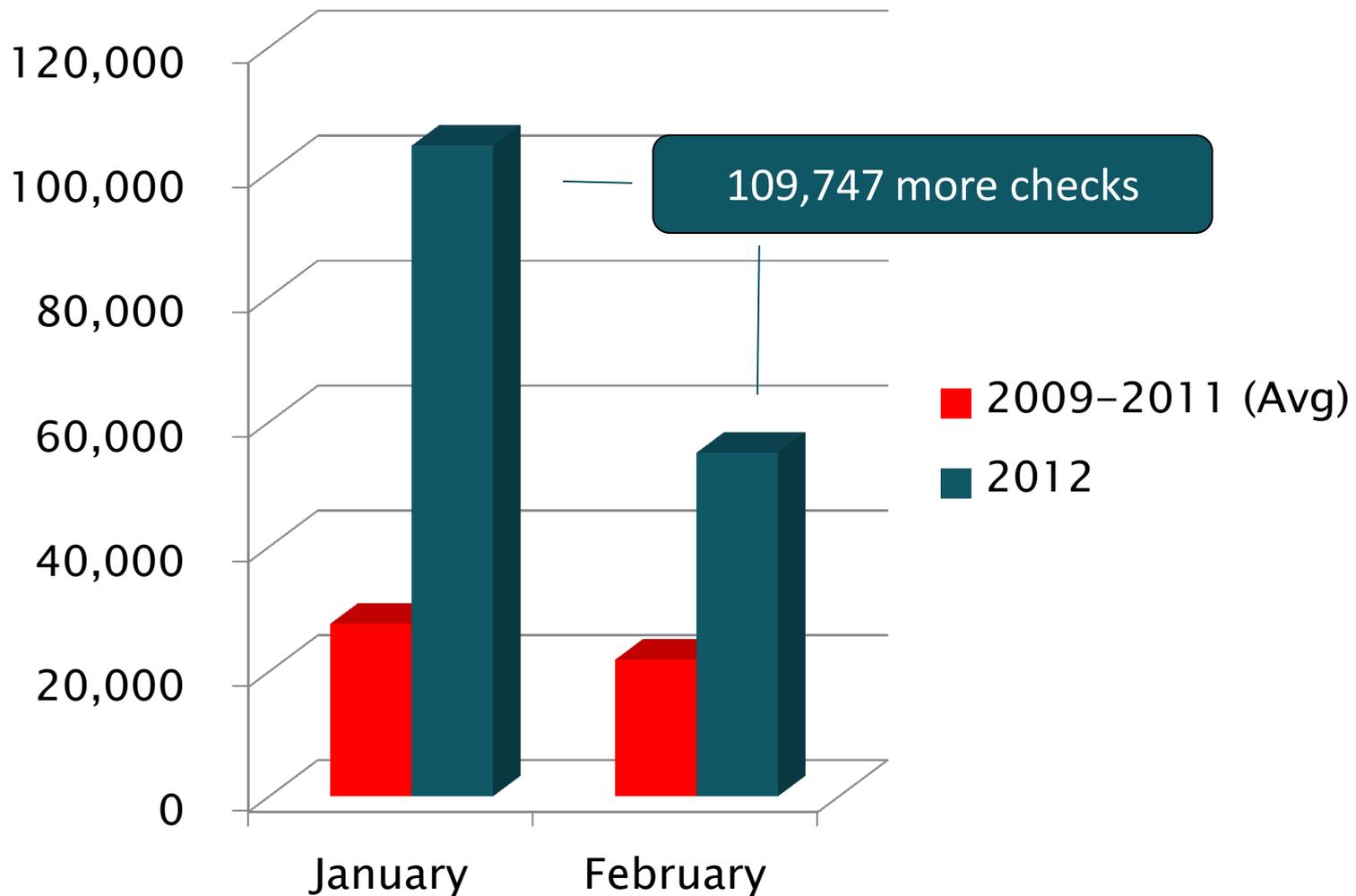
Check Cashing



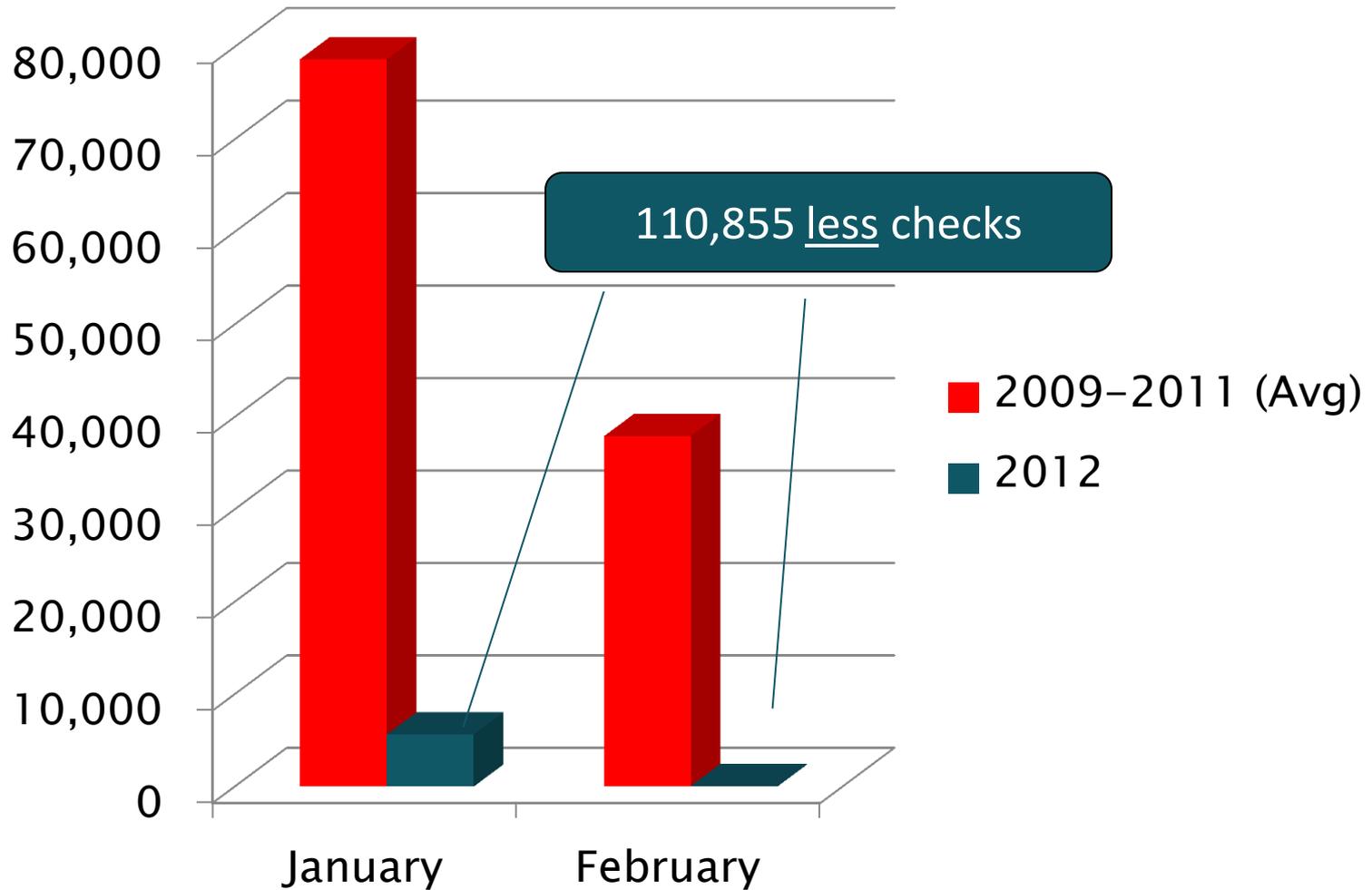
Cashing more checks within 4 days



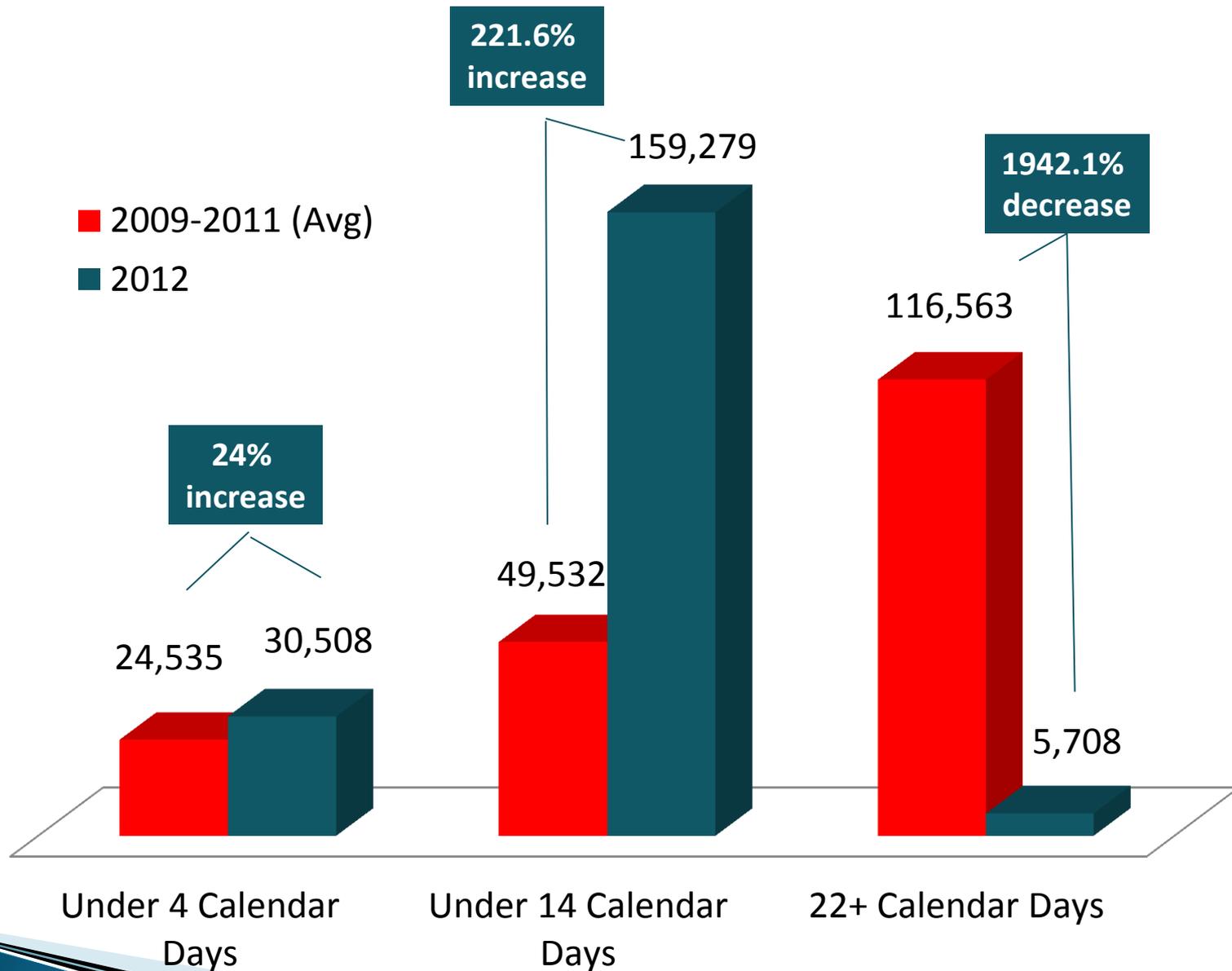
Cashing more checks within 2 weeks



Reducing 3 week+ delay in cashing checks



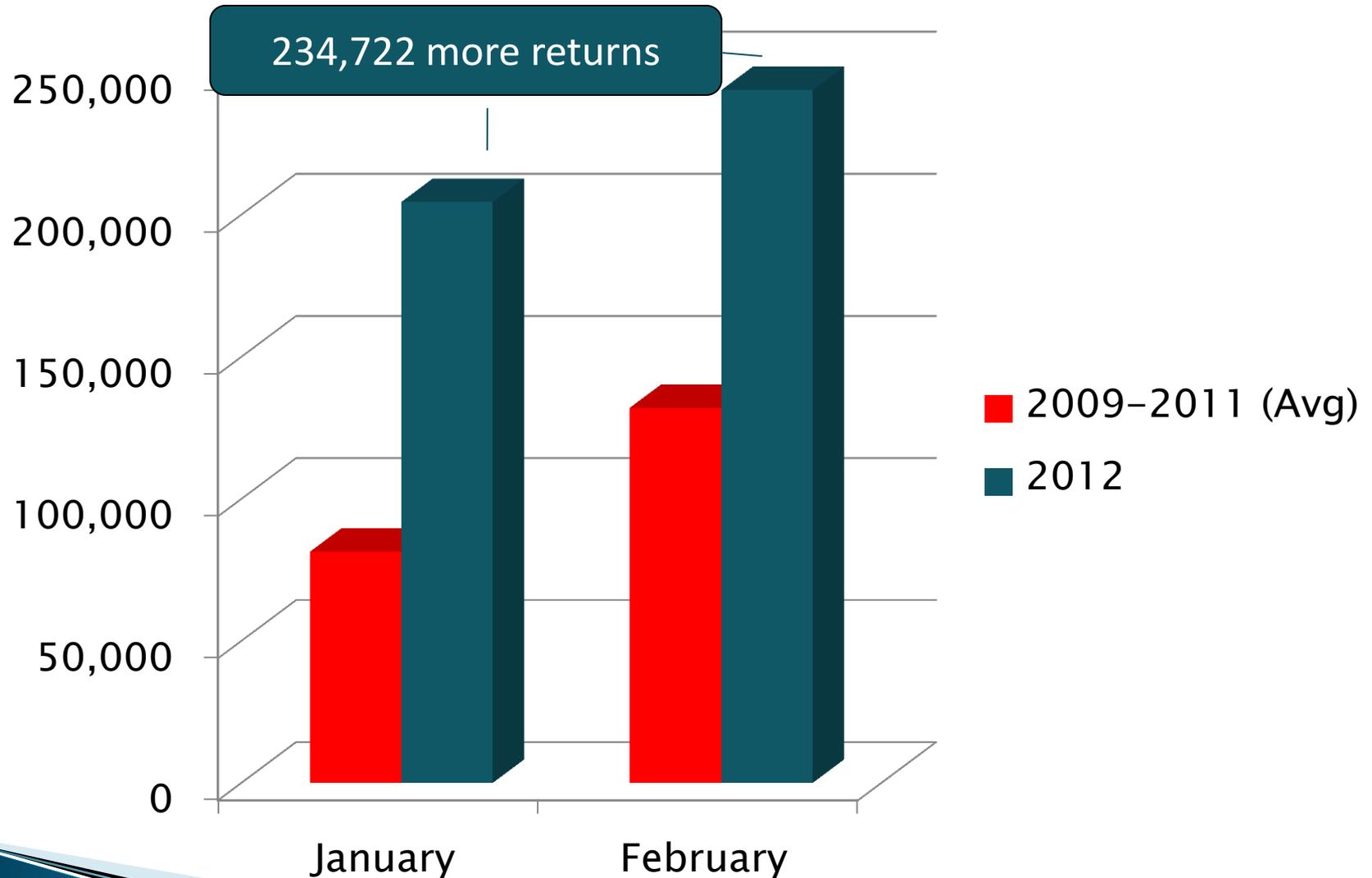
Summary of check cashing



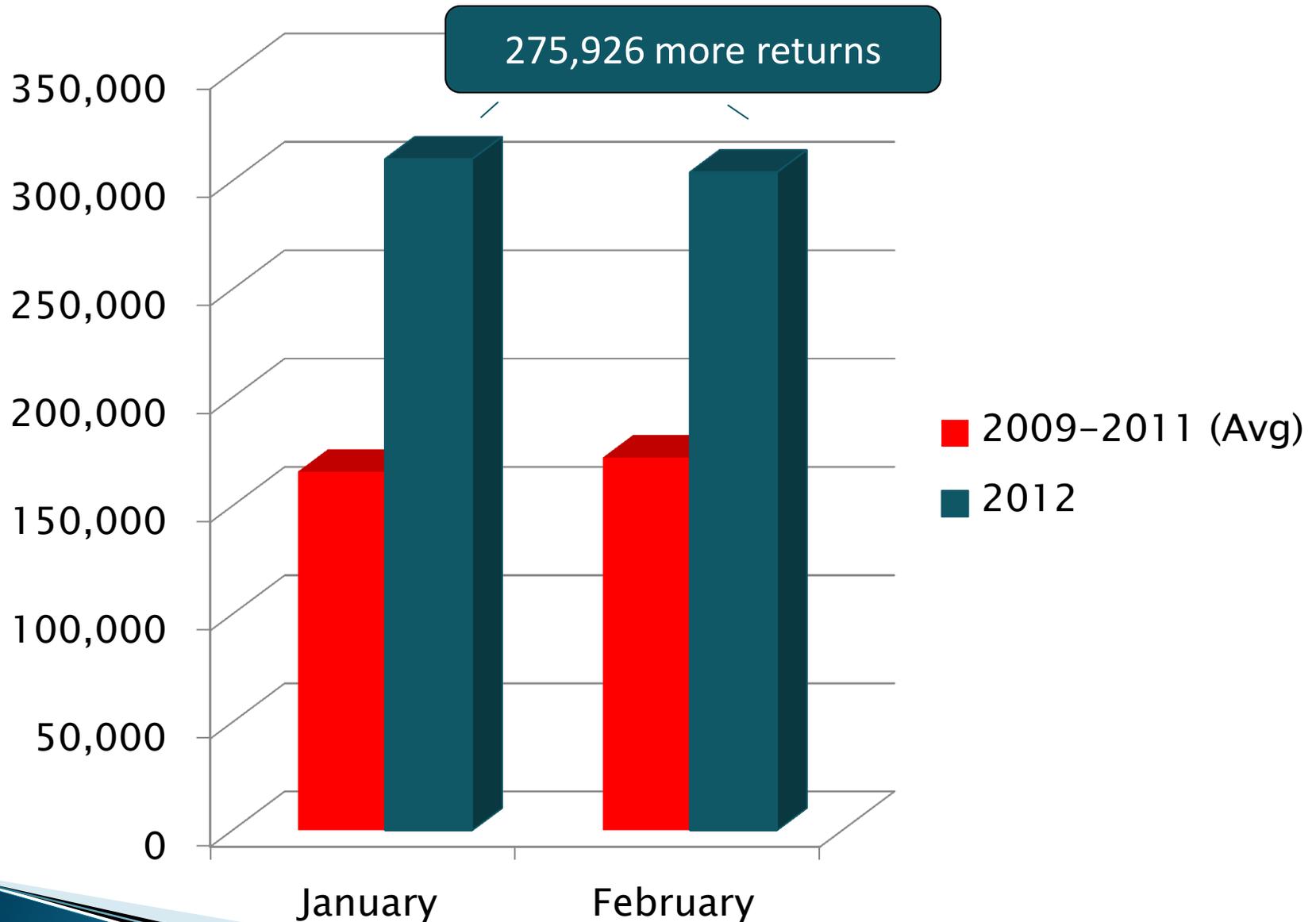
Return Processing



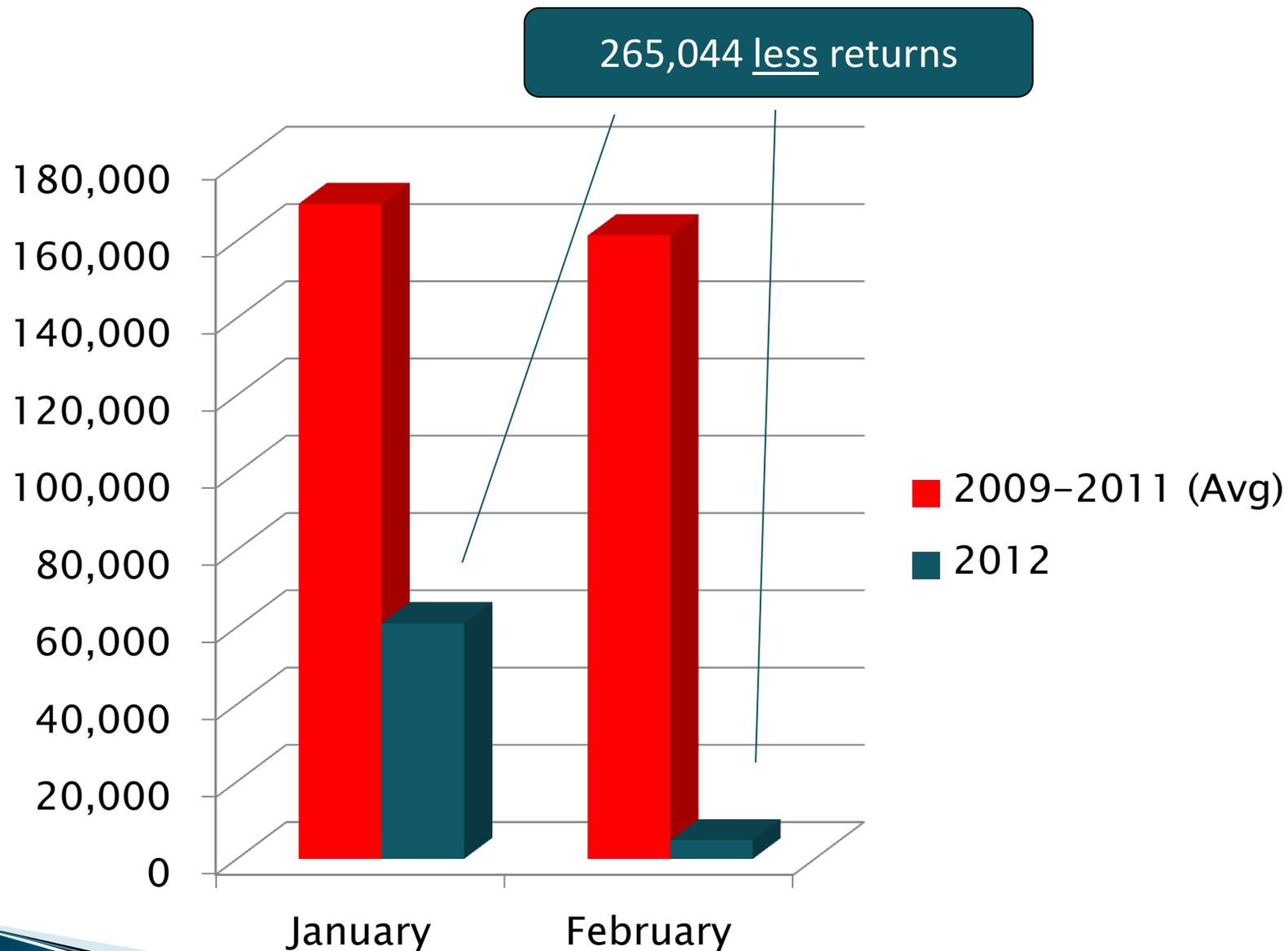
Increasing the returns processed within 6 days



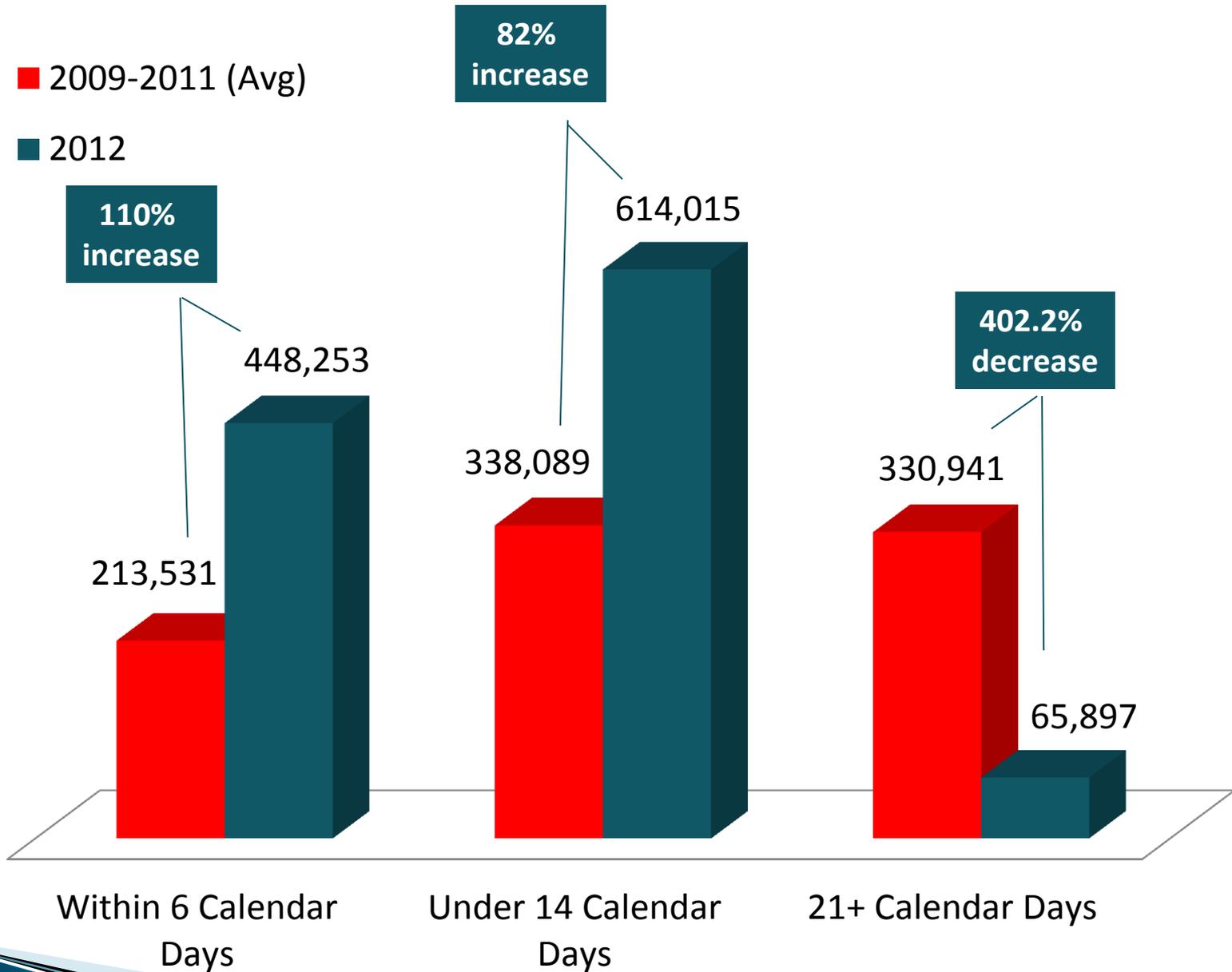
Increasing the returns processed under 14 days



Reducing 3 week+ delays in return processing



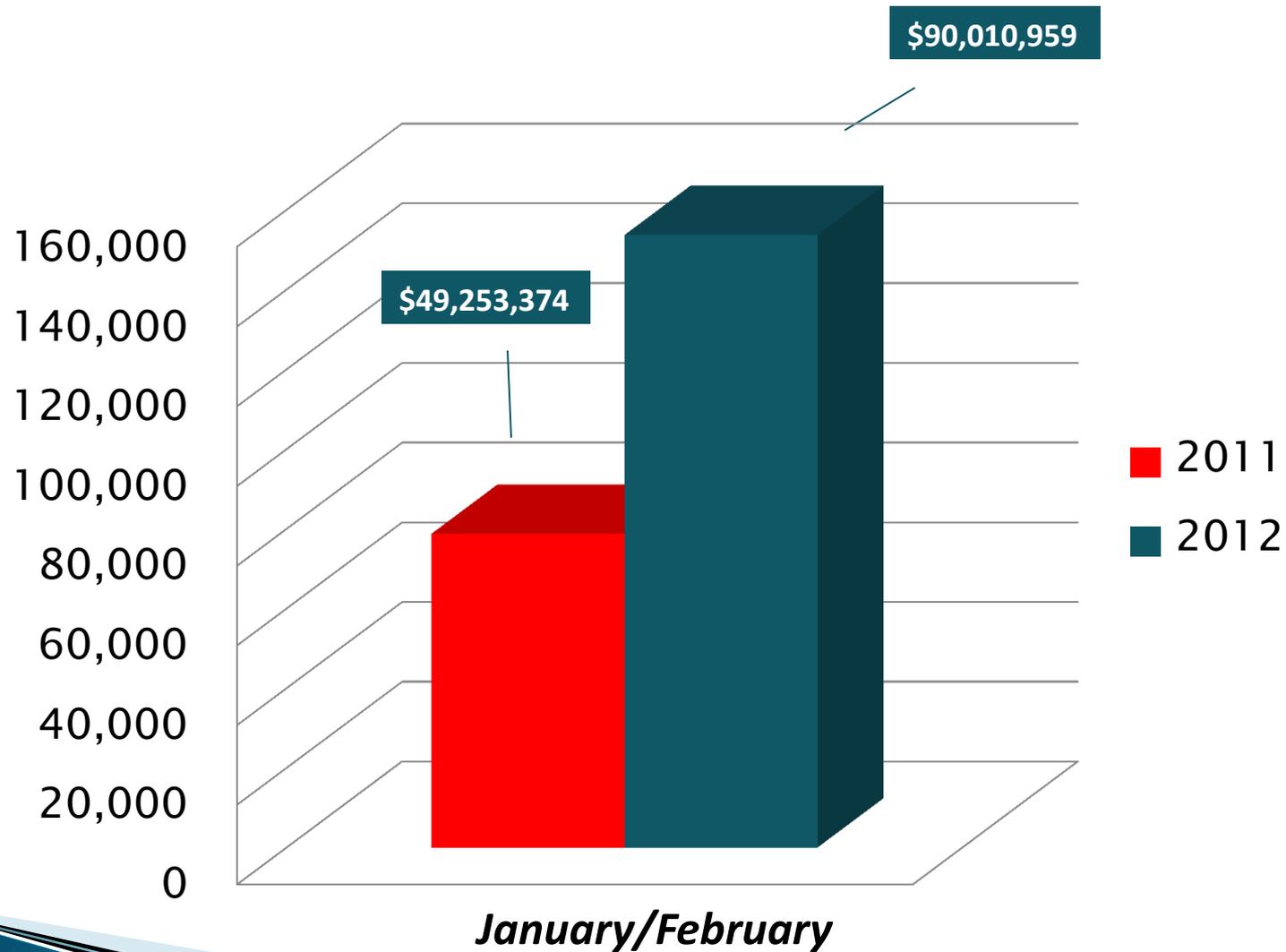
Summary of return processing



Refunds

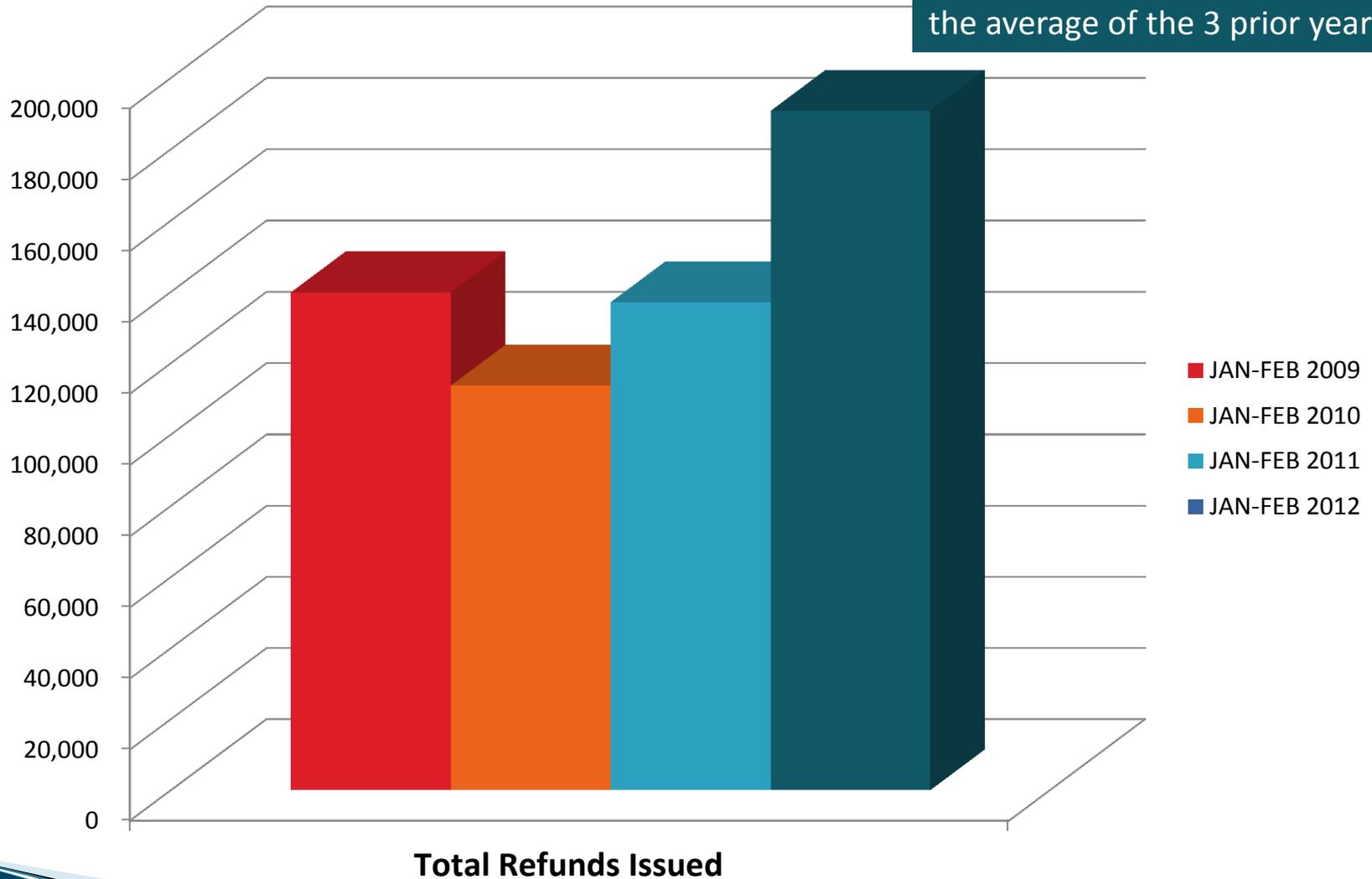


More Money Returned To The Community Faster

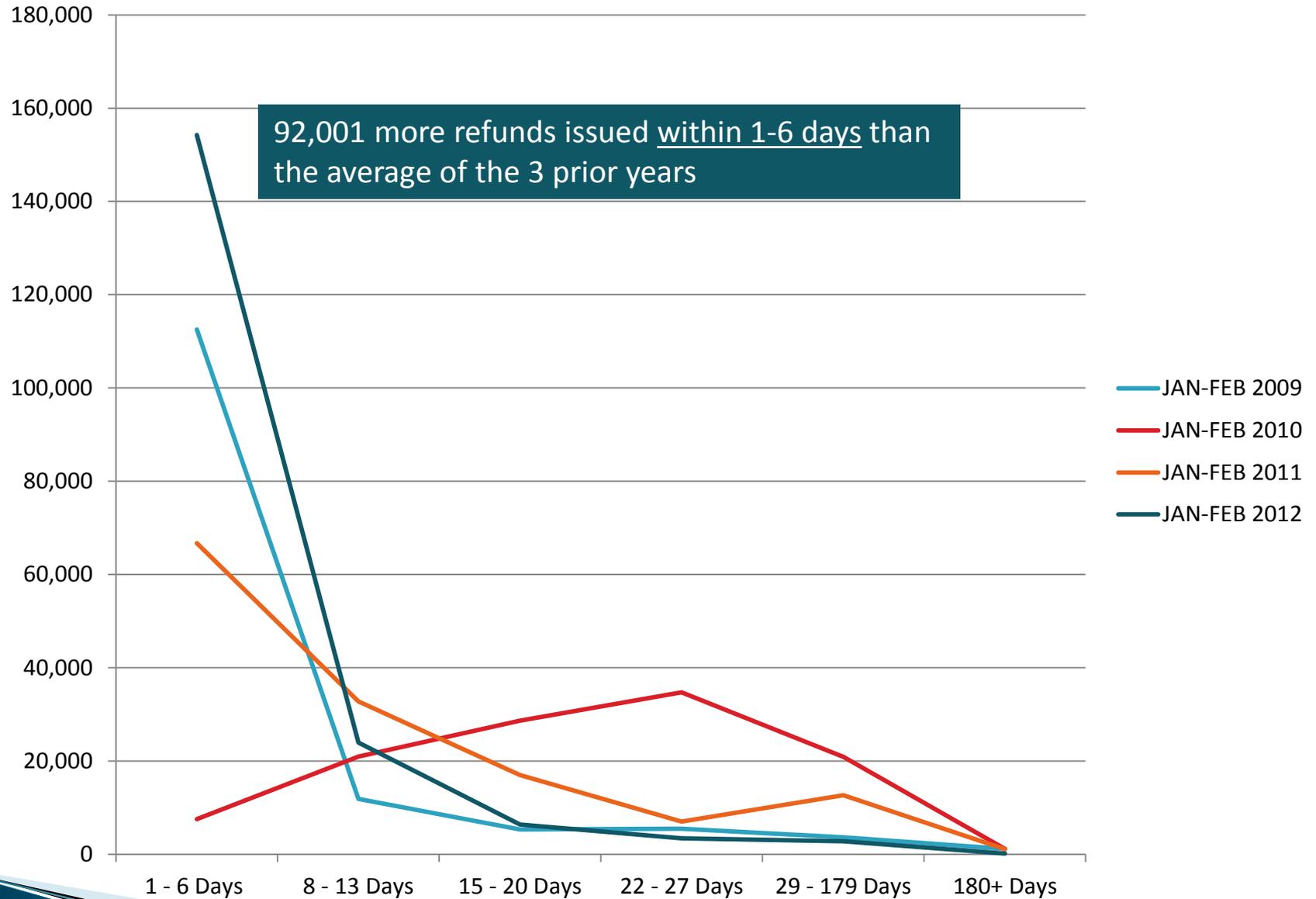


More refunds issued

60,556 more refunds issued than the average of the 3 prior years

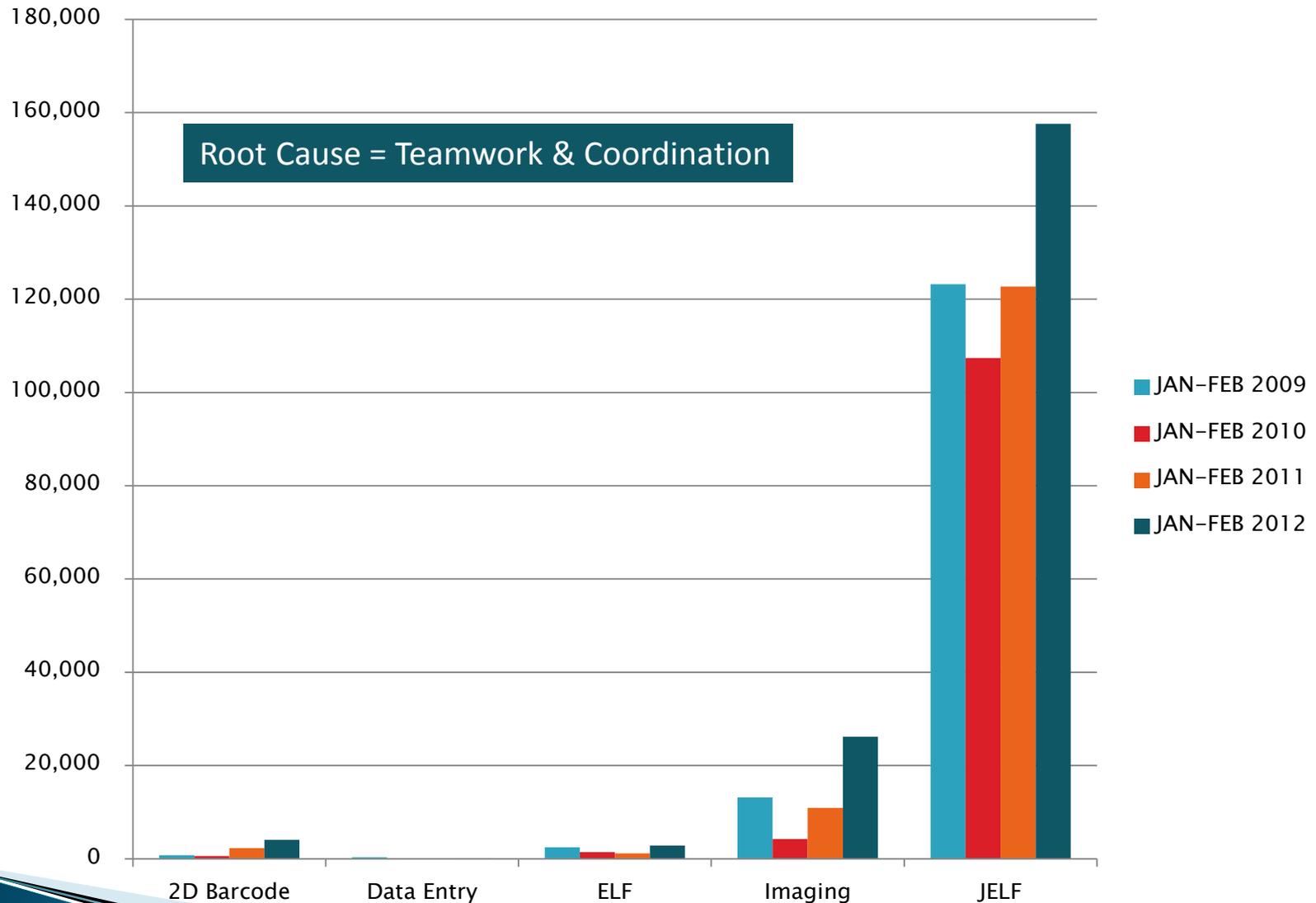


More refunds issued faster



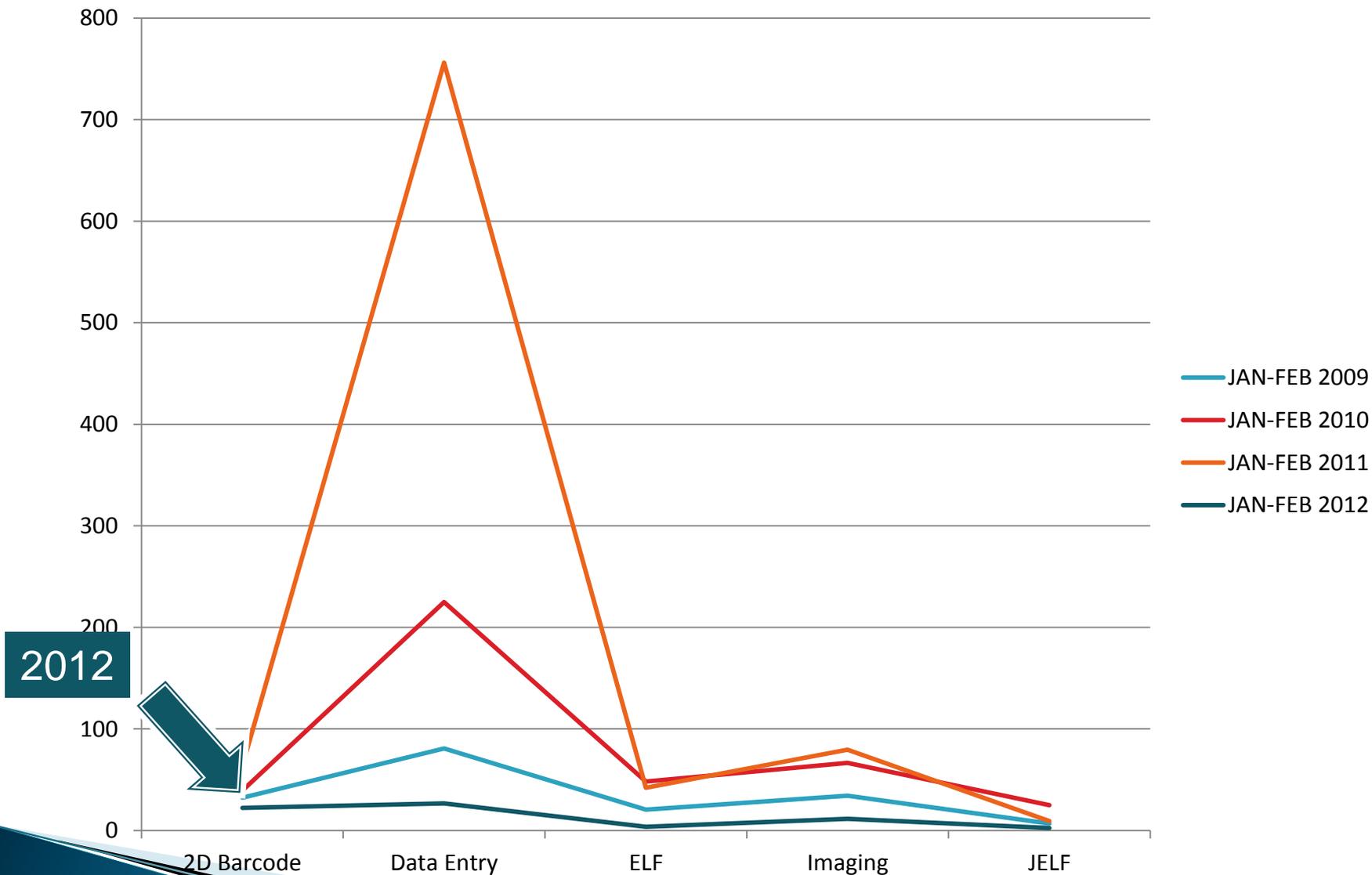
More refunds were issued sooner for each method

Total Refunds Issued By Processing Category



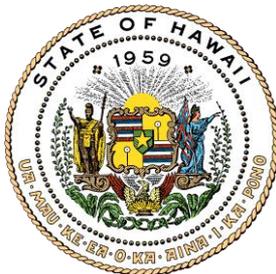
Refunds issued faster across all processing methods

Average Days By Processing Category



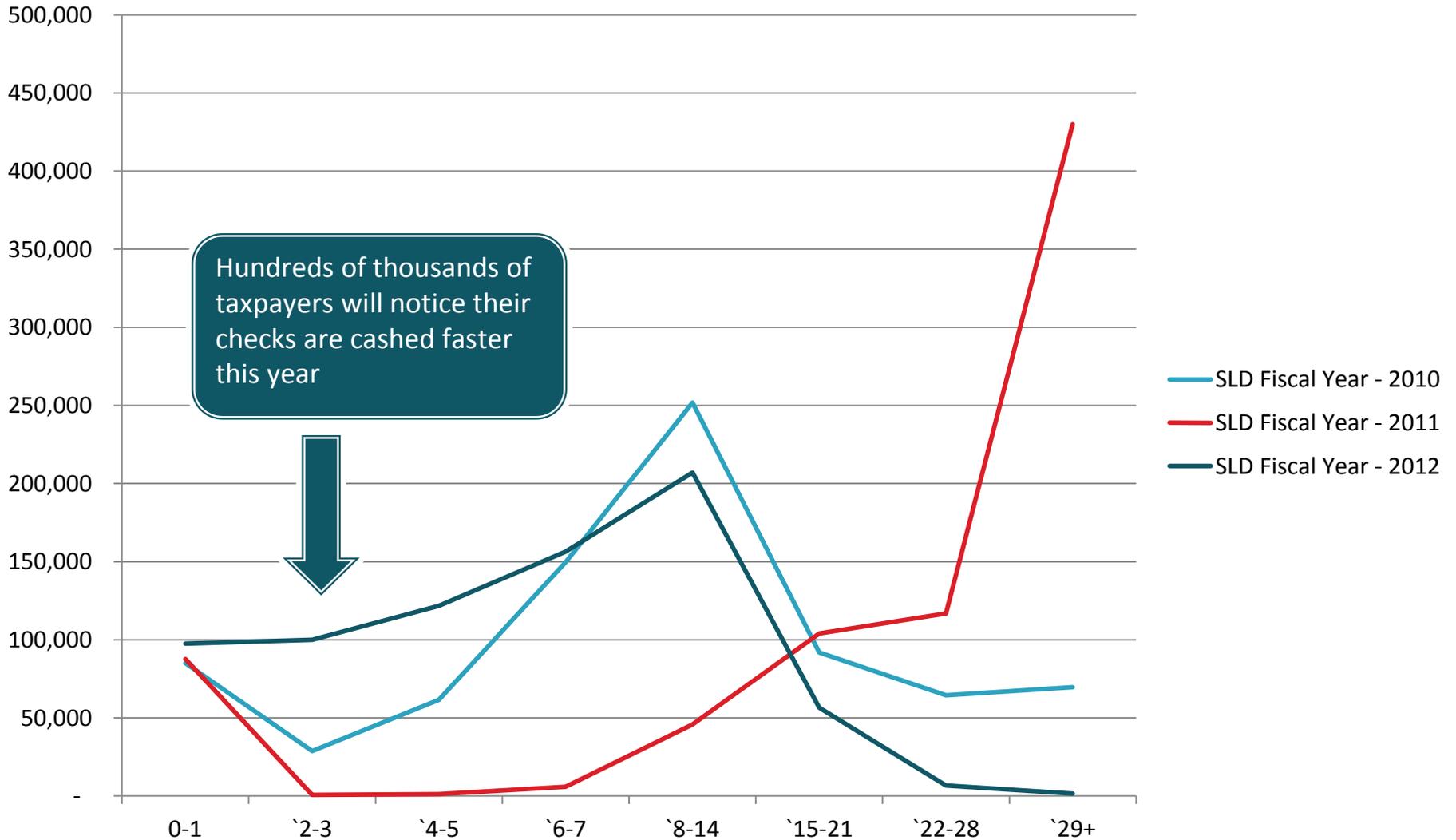
2012





Fiscal Year Statistics

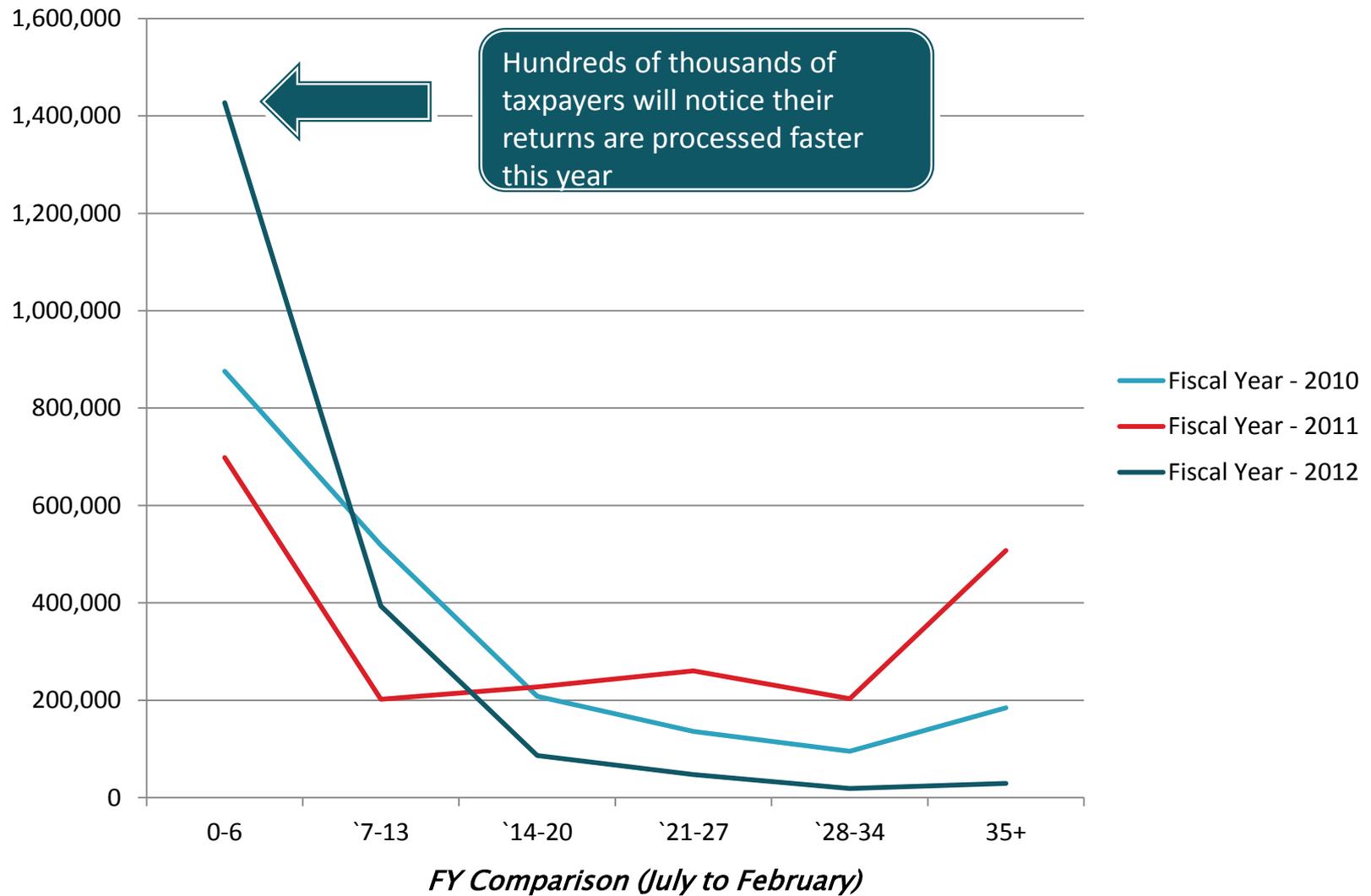
2012 FY – far ahead of prior years in check cashing speed



FY Comparison (July to February)



2012 FY – far ahead of prior years in return processing



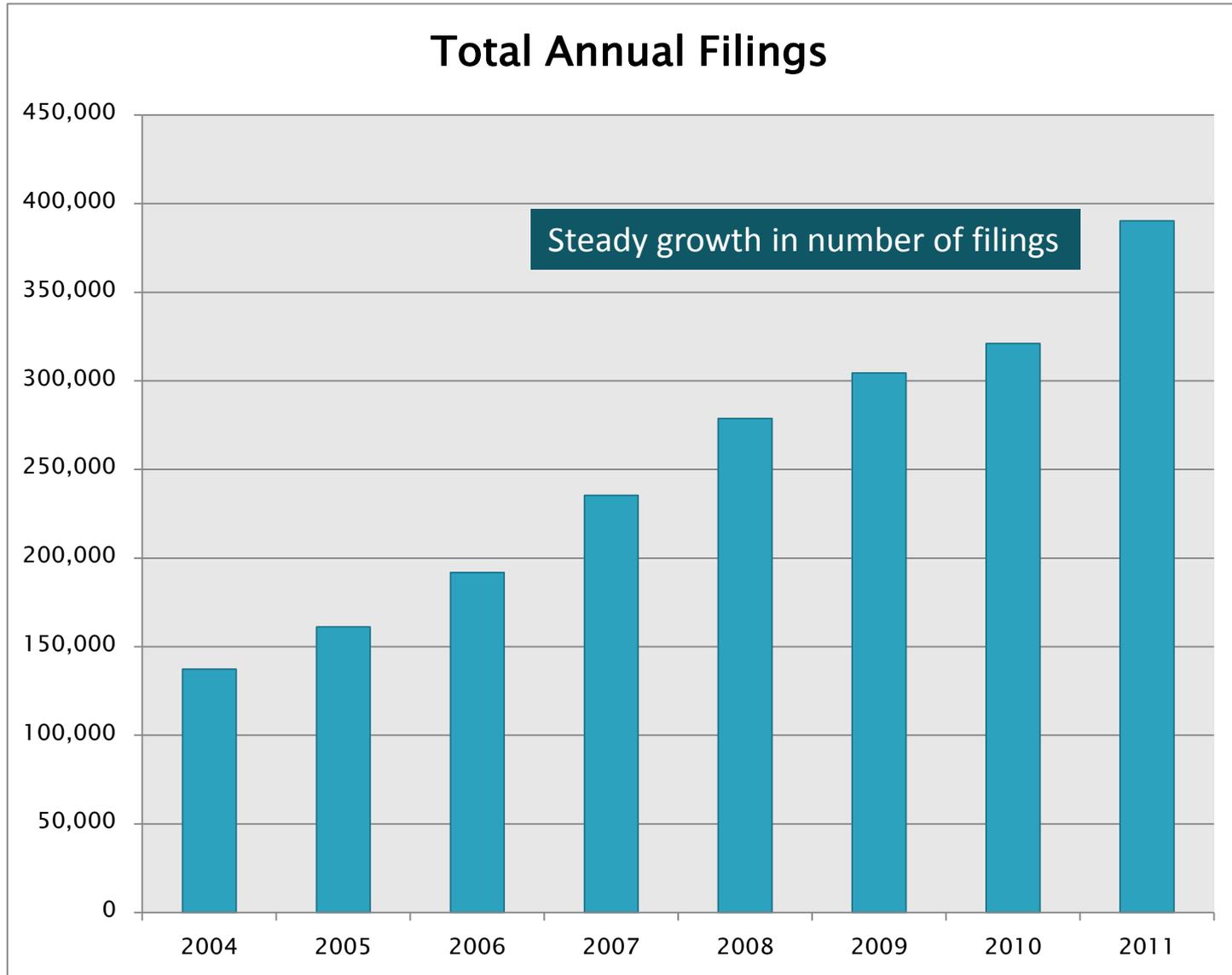
E-Filing



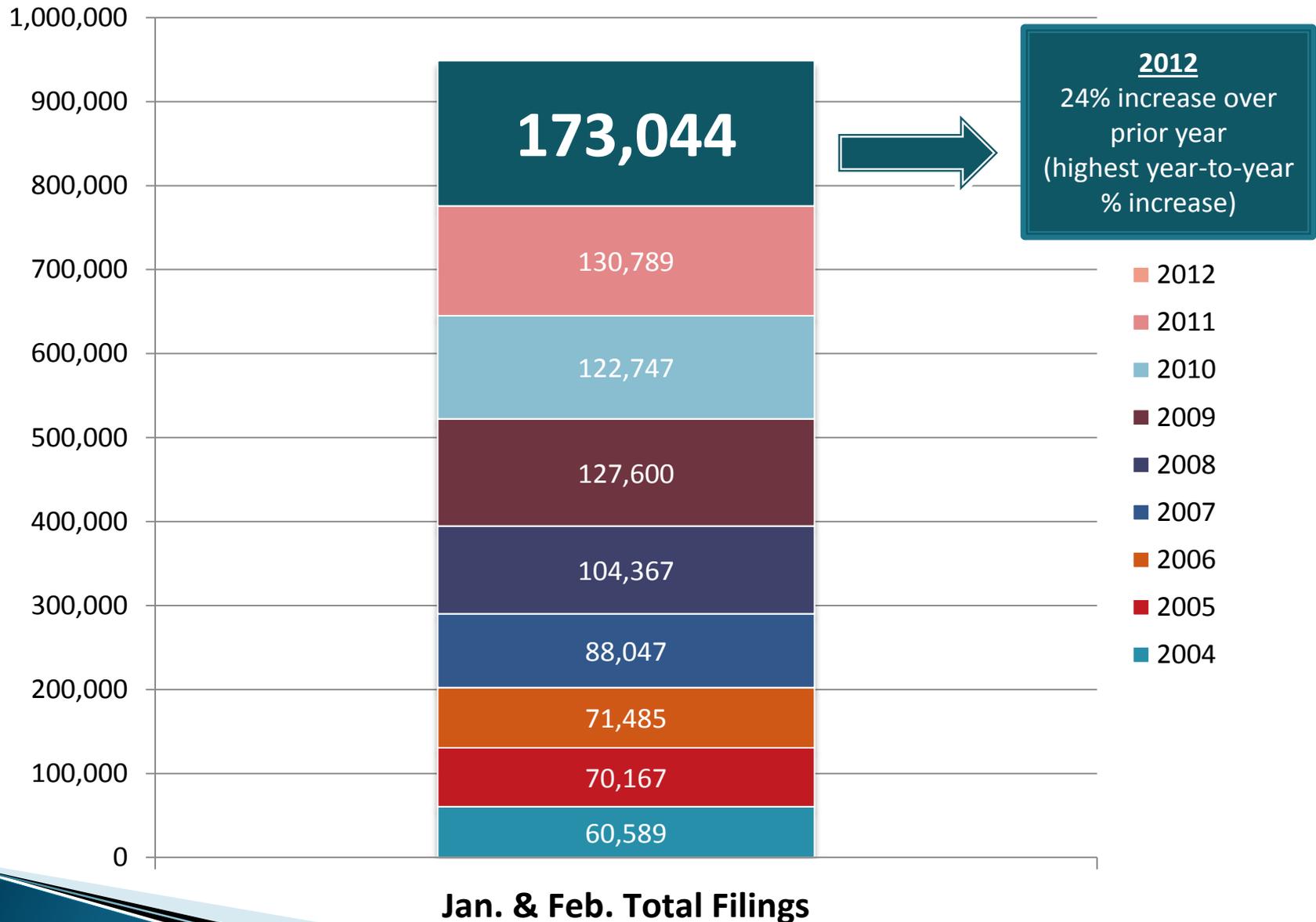
Steady growth & Earlier filings



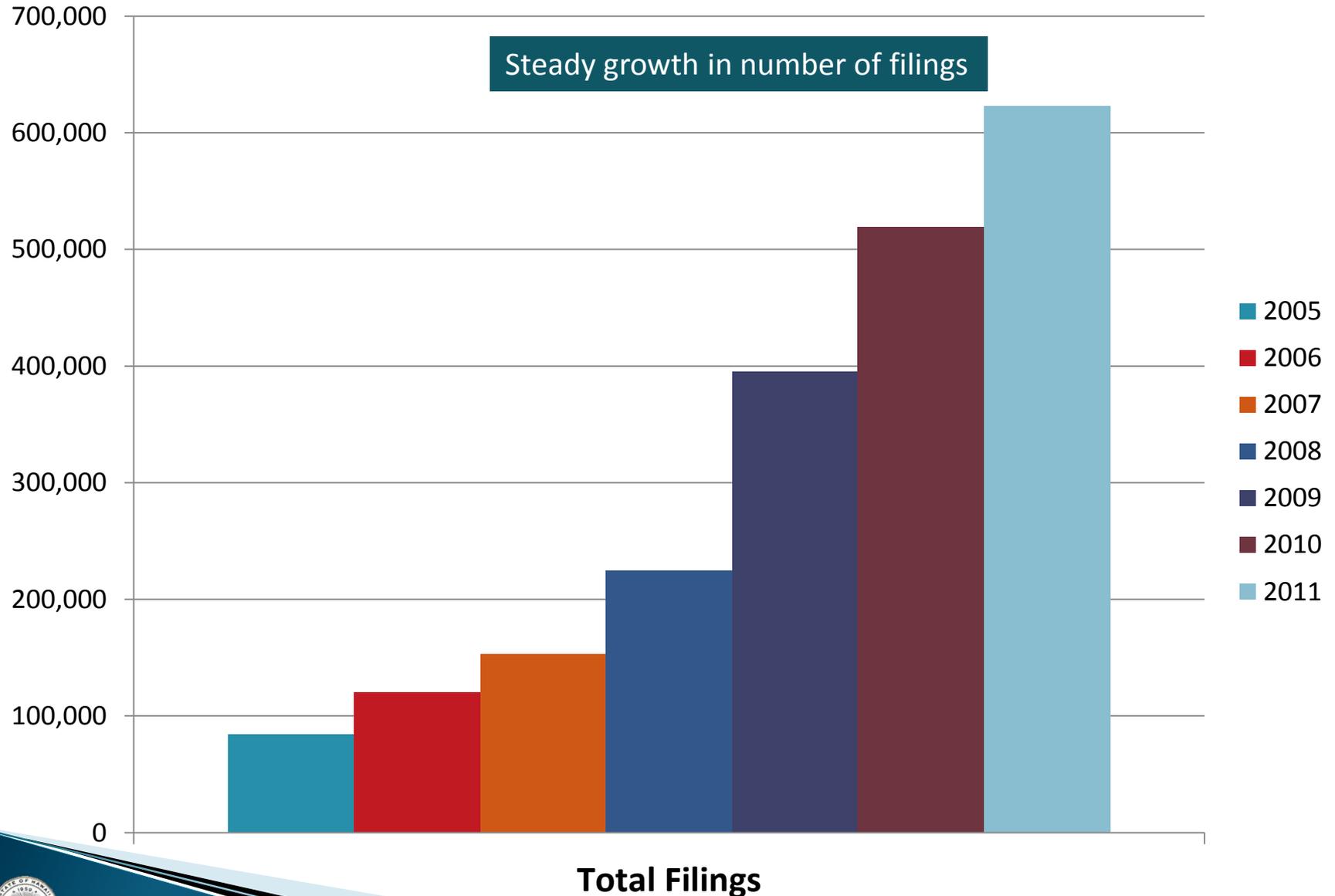
Joint Federal/State Electronic Filing (JELF)



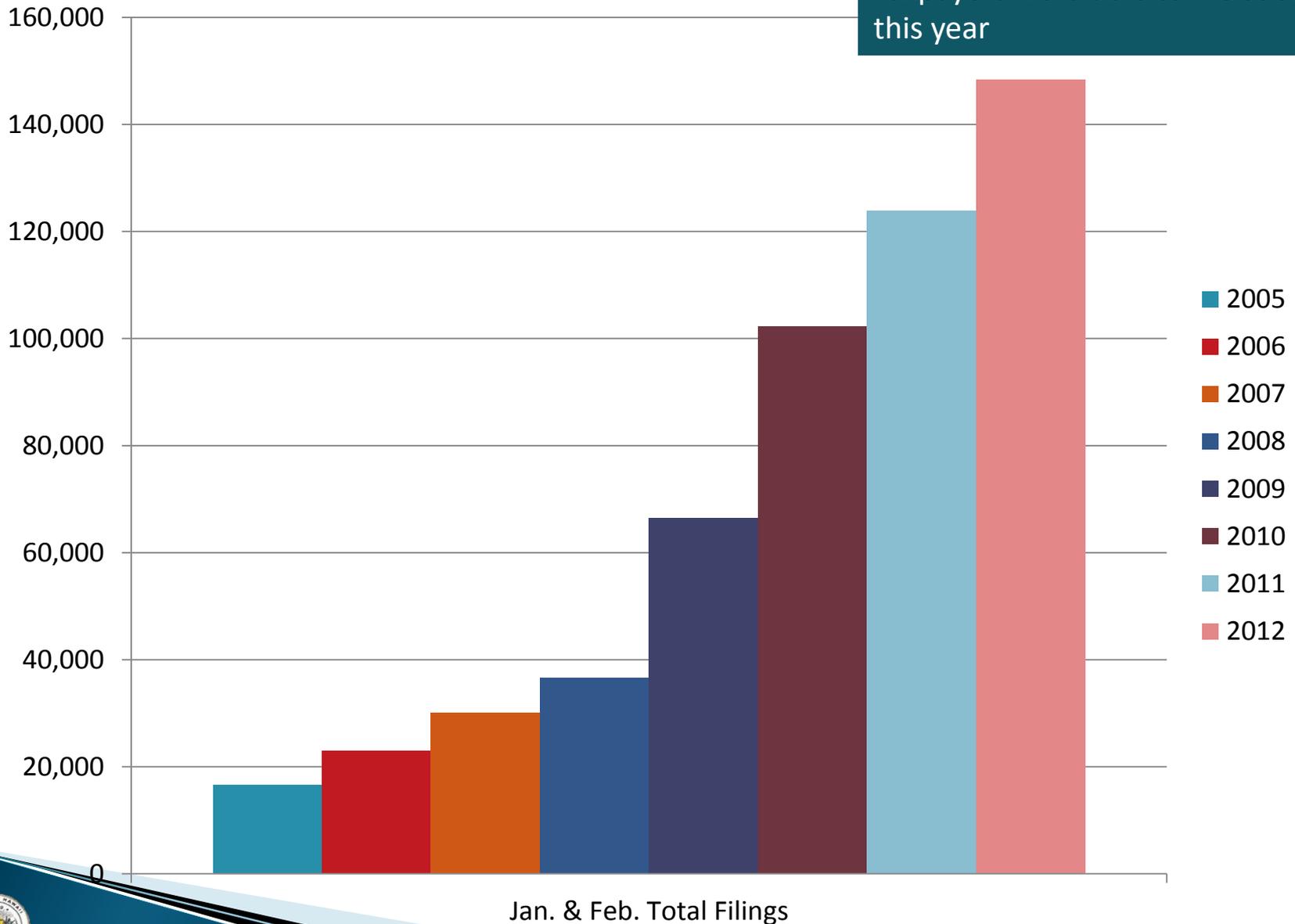
Joint Federal/State Electronic Filing (JELF)



Electronic Filing (ELF via HIC)



Electronic Filing (ELF via HIC)

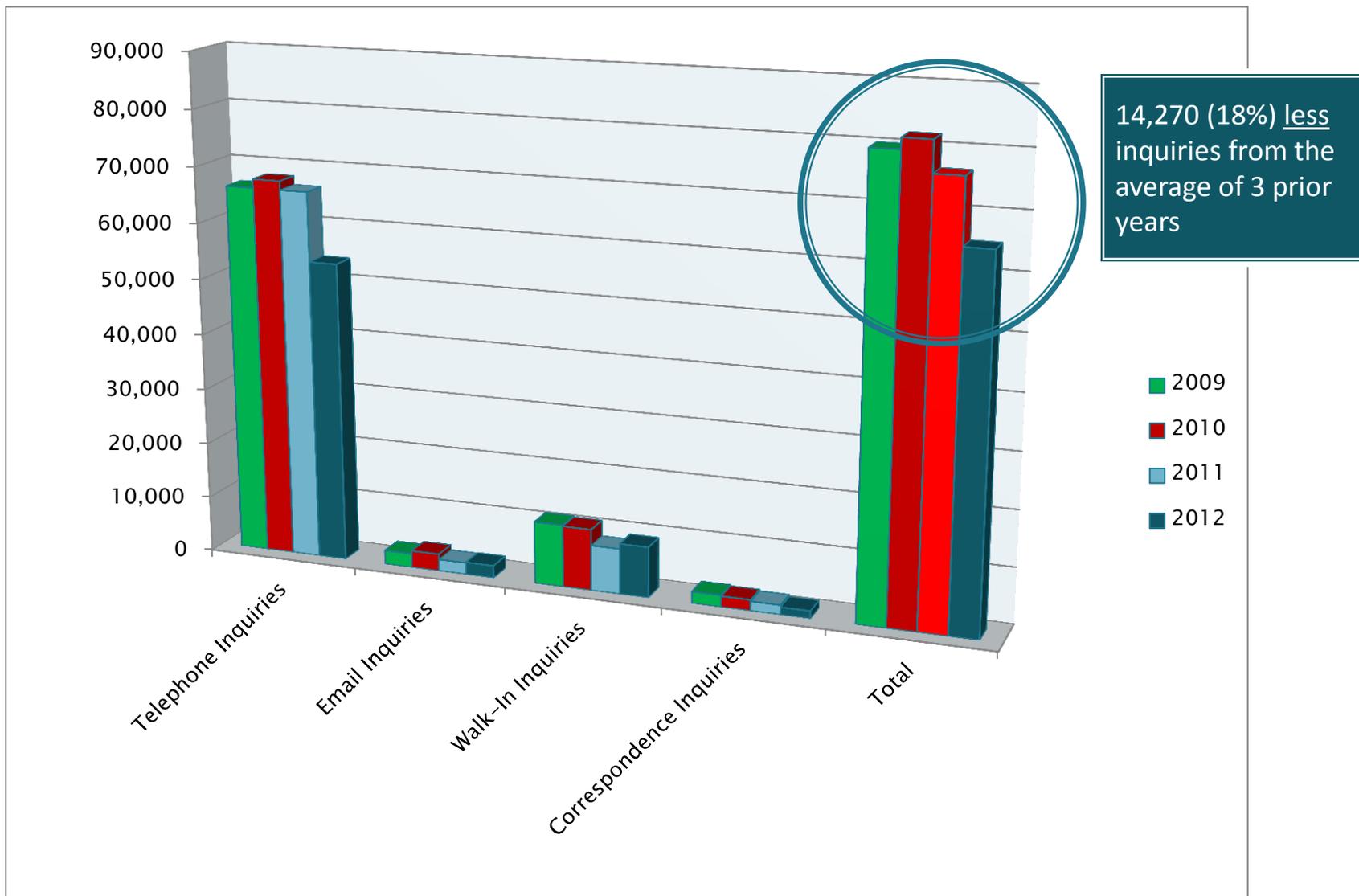


Taxpayer Services



Document processing improvements reduced the number of taxpayer inquiries

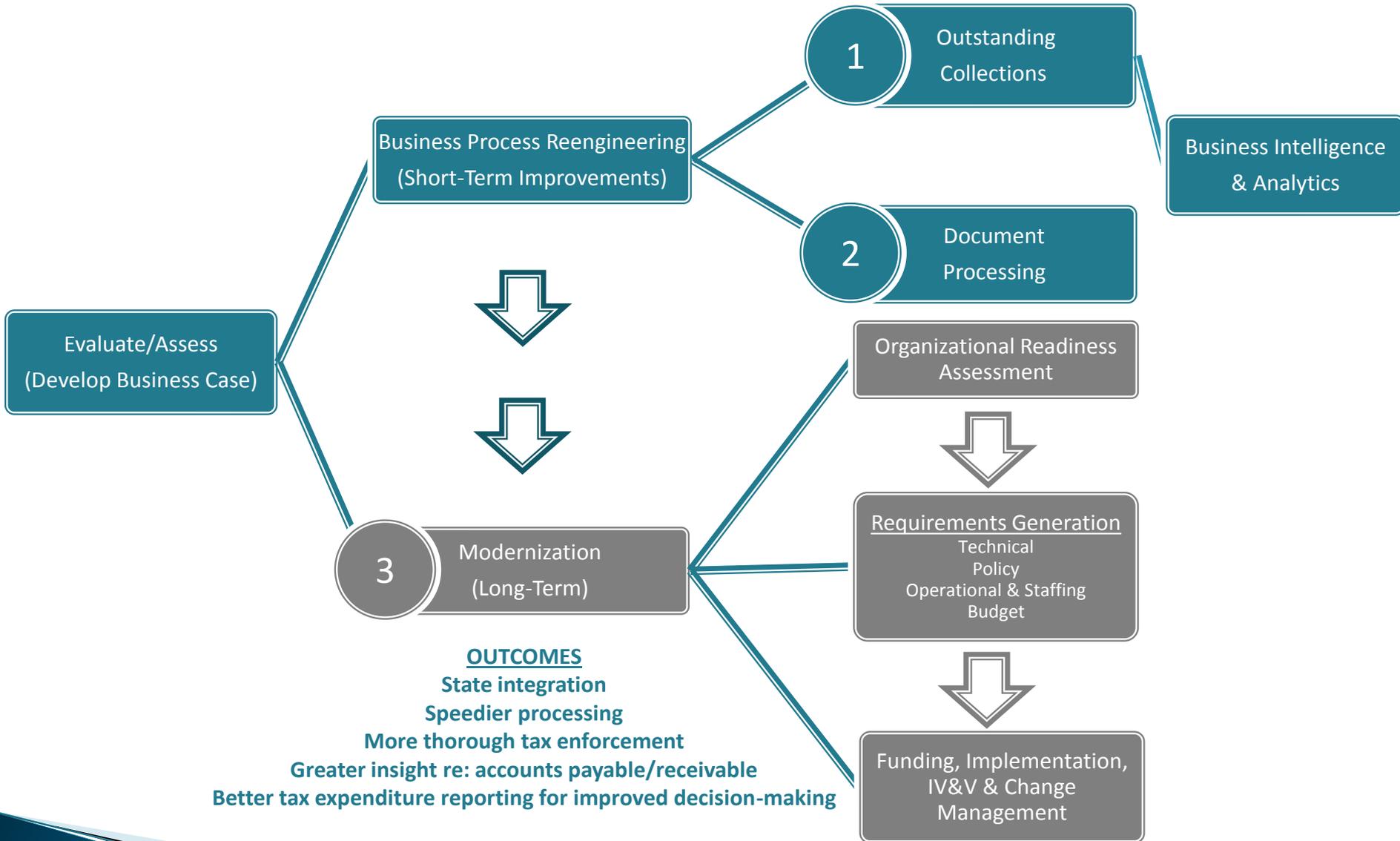
taxpayer inquiries are trending down



January/February Inquiries



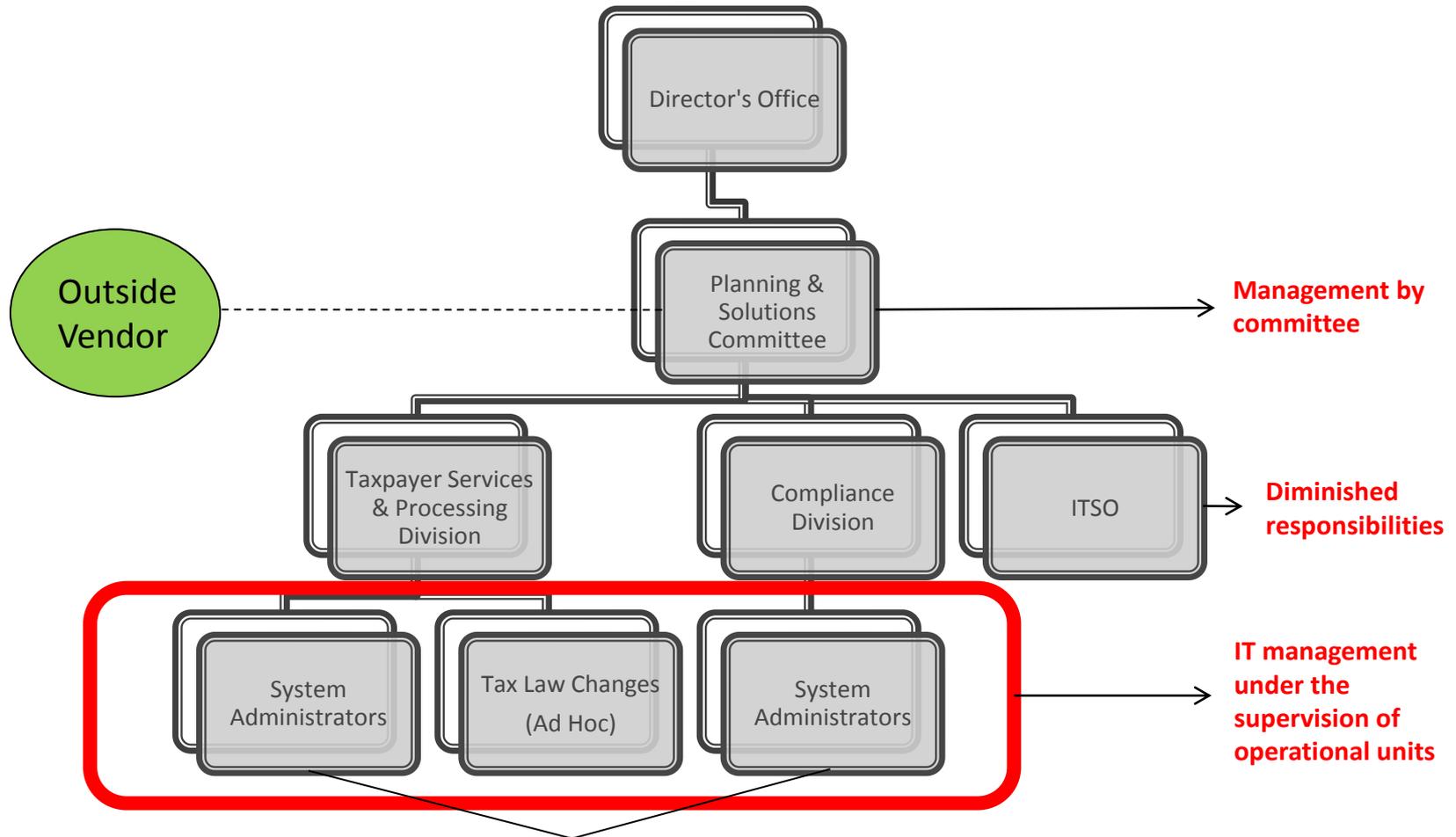
DOTAX Strategic Plan



Tax Information Technology (IT) and Business Process Modernization



Previous IT Management "Process"



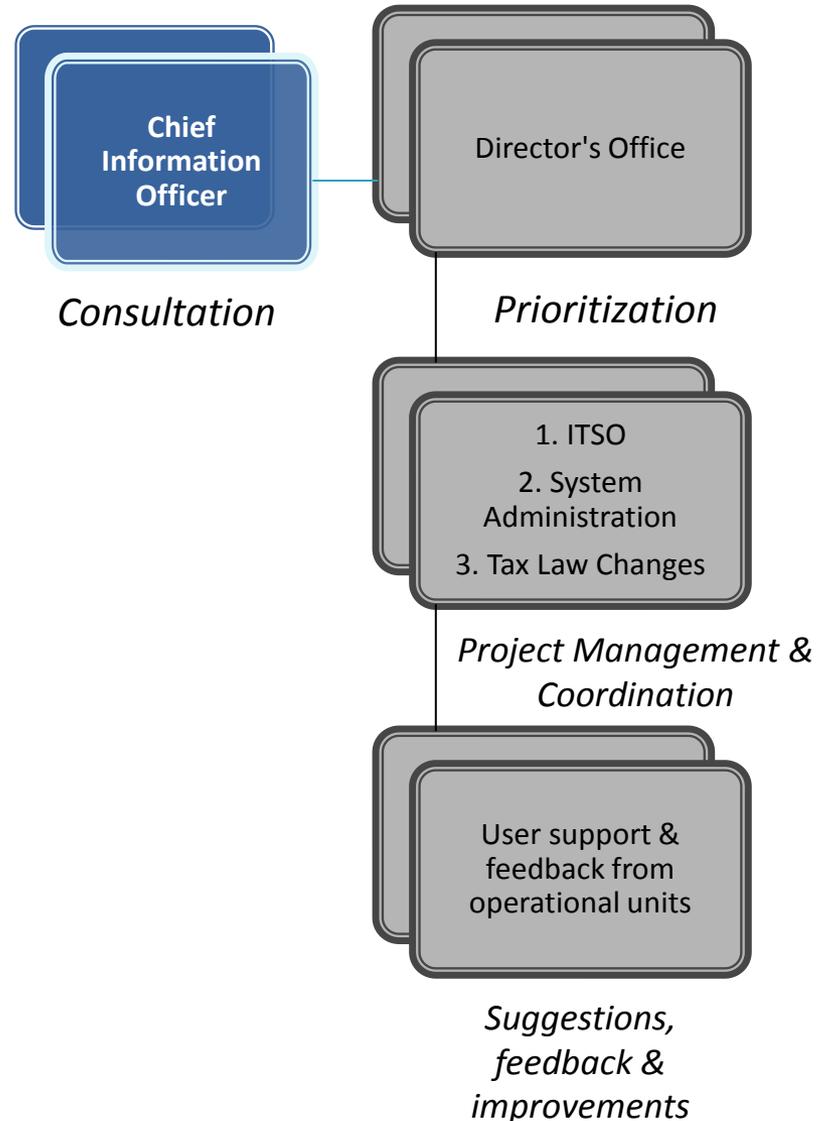
NOTE: The Organizational Chart places System Administration directly under the Director's Office

- No Accountable PM; No PM Process; No PM Process Discipline
- No Governance or oversight or Independent Validation or Verification (IV&V) Process
- Inadequate Acquisition Practices



Existing or Current IT situation

- ▶ Information Technology (IT) improvements have streamlined and simplified some processes
- ▶ CIO and DAGS consulting with DoTAX on Business Process Reengineering (BPR) projects that successfully demonstrate DoTAX's ability to internally identify and modify current procedures and processes; staff actively involved in process changes
- ▶ However, IT infrastructure is extremely fragile; modernization efforts cannot be built on the existing system
- ▶ Proposed New Tax Modernization system must interface with other departments tasked with financial responsibilities – Budget & Finance and Department of Accounting & General Services



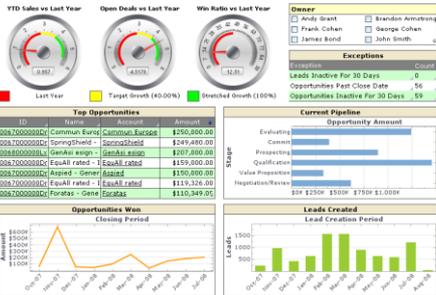
Proposed IT and Business Process

Oversight

Executive Leadership Council

CIO Council

Dashboard



OIMT provides State Agencies with professional project management tools, techniques, and personnel on a fee-for-service basis.

Management

OIMT

CIO

Project Management Office

- Project Manager
- Architects & Modelers
- Analysts
- Communication & Facilitation

DoTAX

Director's Office

1. ITSO
2. System Administration
3. Tax Law Changes

Project Team

- Business Area Leadership
- Subject Matter Experts

PM Methodology, Standardized Tools and Templates

- Charter
- Project Plan
- Budget
- Risk Register
- Performance Metrics
- Status Reports
- Process Diagrams
- Business Rules
- Information Exchange Matrices
- Data Models
- Functional Requirements
- Etc.



Tax Modernization Strategy

- ▶ Continue BPR projects and implement tax business analytics through FY 2012 and FY 2013
- ▶ Include Department of Taxation as a “flagship” initiative in the forthcoming Business and IT Strategic Plan (July 2012)
- ▶ Implement tax system modernization “flagship” initiative in FY 2014 to coincide with the implementation of the statewide enterprise resource planning (ERP) system – financial, human resources, acquisition management
- ▶ Rigorous and disciplined Program Management approach with experienced and qualified Program Manager oversight throughout project lifecycle
- ▶ Continued collaboration and coordination between DoTAX, OIMT and DAGS

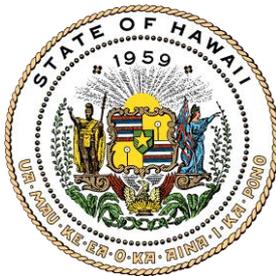


Desired Outcomes

- ▶ Speedier processing
- ▶ Statewide integration
- ▶ More thorough tax enforcement
- ▶ Greater insight to accounts payable and accounts receivable
- ▶ Better tax expenditure reporting for improved decision-making

Things are better and faster





Thank You